



## Lowest rise in incomes for 10 years

Personal incomes rose less in the first quarter of this year than at any time in the past 10 years, according to figures published yesterday by the Central Statistical Office (Our Economic Editor writes).

The biggest factor depressing incomes was unemployment. Wages and salaries account for 60 per cent of all personal income and although the average earnings of the employed rose over the year to early 1981 by 161 per cent, this was counteracted in the first quarter by a fall in employment of 5 per cent leaving a net rise in total incomes of less than 1 per cent.

Living standards fell by 14 per cent, but, despite this, people dipped deeply into their savings to create a small consumer boom. The level of consumer spending went up by 11 per cent in real terms, while the ratio of savings to after-tax income, which had reached 17 per cent in the summer of 1980, went down to 14 per cent.

Wholesale prices up, page 17



## Mother Teresa condemns fast

Mother Teresa of Calcutta on a visit to Northern Ireland, condemned the IRA hunger strike as an act of violence. "We have no right to destroy the beautiful gift of God, life," Mother Teresa, who was awarded the Nobel peace prize for her work feeding the poor in India, was visiting a religious festival at the Corrymeela centre near Ballycastle. She said that anyone who destroyed life, whether it was their own or another person's was committing an act of violence. "I see many people dying of hunger because they do not have food. I deal with people who are hungry because they have not got food, but I have never dealt with people who are hungry because they choose to be hungry," she said.

## 30 patients test interferon

Thirty patients at St Bartholomew's Hospital, London, are being treated with interferon, the drug thought to destroy cancer cells. Doctors conducting a clinical trial have discovered the patients can accept massive doses, far higher than those administered elsewhere in the world, without the drug producing unacceptable side-effects.

## GLC threatens to resign

The Labour-controlled Greater London Council would resign to seek a new mandate rather than accept the Government's imposed ceiling on its rates, Mr Kenneth Livingstone, the council leader, said yesterday. "Voters would have to support us or sack us," he said.

## Kidnapped oil man killed

The body of Signor Giuseppe Talerico, a petrochemical plant manager kidnapped by the Red Brigades in the boot of a car parked at Mestre, on the Venice lagoon. He had been shot 14 times.

## Stalemate in the Gulf

After 10 months of war between Iran and Iraq, there is little sign of the conflict ending. The Iraqis, who wanted a swift victory, are thought to have control of Kharranashahr, but they have made little advance against Isfahan.

## Dayan emerges as key figure

Mr Moshe Dayan, the former Israeli Foreign Minister, has emerged as a key figure in negotiations to produce a new coalition government with a working majority in the Knesset. Mr Menachem Begin is now officially expected to come in power.

## Civil Service left seeks £10 a week

Left wingers in the Civil Service are trying to persuade their leaders to approach the Government with an offer to accept a 10-week increase for all non-civil servants, a 13 per cent rise for lower grades.

# Leader of Liverpool council wants troops on stand

Fears of renewed violence in Liverpool last night led to a call from Sir Trevor Jones, Liberal leader of the city council, for the Army to be placed on standby to protect the riot-stricken city.

Sir Trevor, whose request to Mr William Whitelaw, the Home Secretary, was relayed by Mr David Alton, Liberal MP for Edge Hill, said he had been "besieged" with pleas for Army protection from councillors and members of the community in Toxteth.

Sir Trevor said: "It is a legitimate request. If the police cannot cope, as quite clearly they have not been able to, then the military should be available to protect the city centre."

The Home Office confirmed last night that a request had been received from Liverpool City Council for troops to be placed on standby to help the police in case of renewed violence.

But Mr Whitelaw, the Home Secretary, has not given permission. The constitutional procedure is that the Home Secretary will be guided by the chief constable on the spot.

If the chief constable says his men cannot cope with the disorder, the Home Secretary will send in troops. But Mr Kenneth Oxtoby, the Chief Constable of Merseyside, is confident his men can control the situation.

Tension remained high in the Toxteth area of Liverpool last night but, apart from the breaking of a few shop windows, there had been no serious incidents.

Liverpool began to count the cost yesterday of a weekend of looting, burning and destruction described by most observers as unprecedented in a major British city in peacetime and culminating in the first use of CS gas by police on the main streets.

Shopkeepers, some of whom guarded their property with weapons against gangs of

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masked looters, were appalled by the wreckage that confronted them at first light yesterday.

According to police, 186 officers were injured in the rioting and last night 30 remained in hospital, one with a fractured skull. Seventy people were arrested and 59 people appeared in court yesterday charged with offences ranging from theft to causing grievous bodily harm and possession of offensive weapons. Hospital authorities said 260 people received medical treatment over the weekend.

As controversy also broke out in the Commons yesterday over a Young Socialist League calling for the immediate release of those arrested and the dropping of charges against them, it was disclosed that one of the contact telephone numbers on the leaflet belonged to Mr Terry Harrison, a leading member of the Militant tendency and prospective parliamentary Labour candidate for Edge Hill. The leaflet has been widely distributed in Toxteth but Mr Harrison was not available for comment.

Rioters looted a hospital and prevented medical aid getting through to pregnant women "struggling for help," Liverpool Area Health Authority said yesterday.

The authority's report on the violence said the looting began

after 100-odd people were seen to enter the Park Road and St Joseph's Hospice because they were in danger.

Immediately after the looting, police broke in and looted patients' lockers.

Doctors and ambulance men were refused access to people in need of medical care, an official of the authority said. Heart attack victims in the riot area were deprived of treatment.

Among other extreme incidents which will be discussed at a special meeting of Liverpool City Council on Friday was the commandeering of a range of vehicles, including milk floats, an old fire engine, a car, a van and a tractor, for use against police.

The police, who denied losing control despite "toxic" atmosphere, were clearly surprised by the arrogance and ferocity of the rioters, many of them wearing IRA-style balaclavas helmets, who appeared to take a delight in rushing to within a few yards of officers before riot shields before they hurled their missiles.

Although police chiefs spoke of the violence being orchestrated and one shopkeeper said his shop was attacked by a gang of Londoners, there seemed general agreement that most of the rioters were local.

Mr John Graves, aged 35, managed to stop a car and his electric shop in Smithdown Road by standing guard outside all night with his wife, armed with an axe and a hammer.

Mr Anthony Maxwell, Conservative MP for Northampton, North tabled a Commons motion yesterday calling for the introduction of a "Bill of Rights" (the last was repealed in 1967) and establishment of a special riot squad.



Dawn breaks: A policeman stands guard in Upper Parliament Street after the second night of violence.

## Carrington snub at Moscow talks

From Michael Binyon Moscow, July 6

The Russians today all but rejected Lord Carrington's proposal for a two-stage international conference on Afghanistan, describing his plan as unrealistic. He said afterwards he was disappointed but not surprised by the Soviet response.

The Foreign Secretary spent two hours this morning outlining the proposals put forward in the name of the European Community to Mr Andrei Gromyko, the Soviet Foreign Minister. But Mr Gromyko told him that they were unrealistic in their present form, criticising in particular the suggested composition of the conference and the exclusion of Afghanistan from the first phase.

Lord Carrington explained that the proposals had been drafted to take account of the Soviet position and that he found them very convincing. He told Mr Gromyko that the root of the problem was the Soviet intervention in Afghanistan which was ignored by the Russians. His proposals aimed to end all outside intervention.

Looking tired and rather disappointed after five hours of talks, the first he held in Moscow since becoming Foreign Secretary, Lord Carrington indicated he had made little headway. The Russians refused to put forward any counter-suggestions or amplify his proposals. But both sides had agreed to continue their dialogue, which Lord Carrington said would definitely include the subject of Afghanistan.

He said his plan was a serious proposal and one supported not only by Britain, but by the Russians who would reflect on it and consult other countries as it offered the best hope of a negotiated settlement which the West wanted and which the Russians said they wanted.

The proposals still lay on the table. The next stage was for Lord Carrington to consult his European colleagues. He was going to leave Moscow for talks with Signor Emilio Colombo, the Italian Foreign Minister.

Lord Carrington said he hoped to talk with Mr Gromyko on the matter again in September at the United Nations.

The Russians made it quite clear in press statements that they had little interest in Lord Carrington's proposal, and today *Pravda* pointedly carried a report critic-

## Fears of MLR rise as Bank forces up short-term rates

By Our Business News Staff

The Bank of England made it clear through its money market operations yesterday, that it is prepared to accept a higher level of short-term interest rates. But there was no sign that this was a prelude to a possible increase in the minimum lending rate later this week.

In a rarely used move, the Bank forced discount houses to borrow from it for seven days at a rate above its 12 per cent minimum lending rate.

News of the Bank's action immediately sent money market rates, which had been rising for most of the day, higher still. The three-month interbank rate, which had been traded about 12 1/2 per cent for most of last week, touched 13 per cent, and dealers were talking of a probable opening level nearer 13 1/2 per cent this morning.

The pound was boosted from the start of trading by the rising market rate, although it fell to a low of \$1.8780 at one point after operators felt it was overvalued in terms of Continental currencies.

Sterling's rise against the European currencies is bound to prompt renewed calls for Britain's early full participation in the mechanisms of the European Monetary System to stabilize its value.

Mr Nigel Lawson, Financial Secretary to the Treasury, in answer to a parliamentary question said yesterday that a more stable exchange rate against EEC currencies would benefit the United Kingdom in the correct conditions.

Market dealers went home in a state of some confusion last night, not knowing precisely what level of interest rates the authorities now consider appropriate.

Although the view may well be that they are doing no more than bringing day-to-day rates into line with market rates for rather longer periods there was no doubt in the markets that the Bank's action was intended as a deliberate signal that the authorities would seek to defend sterling by raising interest rates if they felt it necessary.

Government sources have strongly denied weekend press reports that there has been a change of official policy on interest rates and foreign exchange intervention to influence the exchange rate. But the reports have made for considerable uncertainty.

This was reflected in the gilt-edged market where long dated stocks fell by as much as £1. The thought that the Government might attempt to hold up gains over inflation was outweighed by the consideration that higher interest rates might now be needed in the short term to achieve this.

Whether the Government is thinking in terms of raising MLR immediately remains to be seen. It may simply be content to allow money market rates to rise instead of MLR itself.

In the foreign exchange markets the dollar was the centre of interest. It soared to a five-year high against the Deutsche mark at DM 2.4502 and reached its highest level for 23 years against the French franc at FF 5.8050 to the dollar.

## Whitelaw defends use of CS gas against rioters

By Hugh Noyes, Parliamentary Correspondent, Westminster

Mr William Whitelaw, the Home Secretary, told the Commons yesterday that violence of the kind seen in Liverpool and London at the weekend could not be tolerated in a free society. He called on the outside world to support the Government's use of CS gas in the task of ensuring that people were adequately protected.

Members on both sides of the House listened anxiously as he spoke of "the new ferocity of the violence" which in Toxteth, Liverpool, resulted in the decision by the Chief Constable of Merseyside to use CS gas for the first time in mainland Britain.

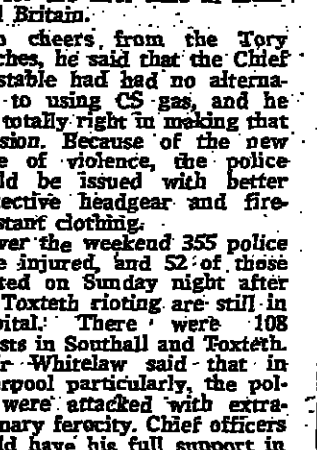
To cheer from the Tory benches, he said that the Chief Constable had had no alternative to using CS gas, and he was totally right in making that decision. Because of the new scale of violence, the police would be issued with better protective headgear and fire-resistant clothing.

Over the weekend 355 police were injured, and 52 of those treated on Sunday night after the Toxteth rioting are still in hospital. There were 108 arrests in Southall and Toxteth.

Mr Whitelaw said that in Liverpool particularly, the police were attacked with extraordinary ferocity. Chief officers would have full support in taking positive action when necessary.

The Commons should be given an opportunity to debate the events before the House rose for the summer recess, but he appeared to reject any hasty emergency action. The police already had sufficient powers to deal with those situations.

He also ruled out demands for further reports aimed at discovering the causes of the violence. The time had now come for action, and Lord Scarman's investigation into the Brixton riots and the Home Office inquiry into racial violence should provide adequate information.



Mr Roy Hattersley, Opposition spokesman on Home Affairs, agreed that violence of this intensity could not be tolerated. The Labour Party utterly condemned the arson, looting and mindless violence of rioters.

But while accepting that the troubles in Toxteth and Southall arose from different causes, those two areas, like Brixton and Bristol, were decaying central areas of old cities with intolerably high levels of unemployment. They all had low levels of social services and abysmally inadequate housing.

It emerged yesterday that supplies of CS gas, which was used at Toxteth, are held by police in most of the large urban areas. The Toxteth exercise was aimed at the view that it is the most effective riot control agent available.

The Government was determined to protect police on riot duty, Mrs Margaret Thatcher said yesterday (Hugh Clayton writes).

"We have to do everything we can to protect the police and give them everything that they need," she said at the Royal Show at Stoneleigh, Warwickshire.

Mr Michael Foot, Leader of the Opposition, yesterday highlighted the use of CS gas, especially among the young, as one of the causes of the weekend riots at Liverpool and Southall, west London.

He attacked the Government for the folly of failing to provide extra support for police in the city areas and told the National Union of Railwaysmen's annual conference at St Andrews that the Labour Party would call for a wide ranging inquiry into the social problems of inner cities.

Mr Foot added: "We have seen the appalling events of last weekend in Liverpool and Southall and a few weeks ago in Brixton. I am sure saying there is some single cause of all these appalling developments. But I do say, and no one with sense can dispute it, that it is the background of mass unemployment particularly among young people, which is one of the causes of what is happening in our inner cities."

Mr Whitelaw was in trouble with Mr Robert Kilroy-Silk, Labour MP for Ormskirk, after appearing to promise an investigation into the policing of Toxteth (Julian Hayland writes).

Mr Kilroy-Silk said there might be something seriously wrong with relations between the police and community, and asked Mr Whitelaw if he would "demand an investigation into the policing of that particular area."

Mr Whitelaw replied: "Yes, I will make the sort of investigation you are considering." But it was said later on Mr

## Heffer disowns pamphlet attacking police

By Julian Hayland, Political Editor

Mr Alton asked Mr Whitelaw what action he would take against those who had circulated the pamphlet.

It was immediately disowned by Mr Eric Heffer, MP for Liverpool, Walton and chairman of the organization committee of Labour's National Executive Committee. He told MPs: "It is totally untrue that it was issued by the Labour Party."

He had asked for a copy, so that the NEC could investigate.

The pamphlet is headed: "Labour Party Young Socialists". It says that it was printed and published by Merseyside Labour Party Young Socialists, and it invites anyone in trouble to telephone one of three numbers, of which the first is Mr Eric Heffer's home.

Mr Harrison is a senior figure in the Militant tendency, the faction within the Labour Party.

The pamphlet is severely hostile to the police and to the Government. It blames "brutal police harassment" for what happened at Toxteth. Police were drafted in from as far away as Llandudna, it says, "to intimidate the youth of Toxteth."

"We defend all those arrested during these events, and call for their immediate release and the dropping of all charges against them."

Mr Alton said later: "There was a volatile community in Toxteth which was open to incitement by groups of political extremists. The local Labour Party has been taken over by people who believe in destruction and devastation, as a way of spreading the revolution they believe in."

## Warrington almost had a third Roy Jenkins

By Frank Johnson

When nominations closed yesterday for the Warrington by-election there were two candidates named Roy Jenkins, both standing as social democrats.

Earlier in the day a potential third Roy Jenkins was sighted. A man told reporters he intended to stand, but failed to make his threat, so that on July 16 the voters of Warrington who want to vote for a Mr Jenkins, will have a choice of only two.

One of them had changed his name by deed poll in Manchester that morning. The other had borne the name all his life, though not always as a social democrat.

The two Jenkins were only the most notable aspect of a list of candidates, picturesque even by the standards of highly publicized by-elections.

The "deed poll" Jenkins was not, as originally expected, Mr Anthony Keane, the Manchester barrister, with a complaint against the Social Democratic Party concerning the copyright of the title. It turned out that he was standing under the name of Mr Keane.

But another Mr Keane also handed in his nomination papers - a Mr Thomas Keane of the Campaign for a Prosperous

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## Interferon trials find patients can accept huge doses

By Annabel Ferriman, Health Services Correspondent

A total of 30 patients in Britain are now being treated with interferon, a drug thought to destroy cancer cells. The patients, all at St Bartholomew's Hospital, London, are taking part in a £1m clinical trial financed by the Imperial Cancer Research Fund with supplies being provided by the Wellcome Foundation.

Details of the trial have not been released until now because the fund does not want to raise people's hopes before the drug's effectiveness is proved. Many cancer experts were besieged by demands for the drug after a doctor in Glasgow announced last year that it had proved useful in treating two cancer patients there. Both subsequently died.

Patients at St Bartholomew's are being treated with massive doses of the drug, far higher than anywhere else in the world. They are being given 400 megaunits a day compared with 20 megaunits a day in trials in the United States.

Doctors have found that these doses are possible, without producing unacceptable side effects, when the drug is given by continuous intravenous infusion rather than by injection.

A course of treatment, lasting between five and 10 days, costs between £10,000 and £20,000, and the progress of the patient's disease is subsequently carefully monitored.

Most of the patients, who

are in the forties and fifties, are suffering from acute myeloblastic leukaemia, a severe form of the blood cancer, in which the blood's white cells, used for fighting infection, do not mature properly and in which immature, useless white cells proliferate.

The study, being conducted by Professor James Malpas, director of the fund's Medical Oncology Unit at St Bartholomew's, is being hampered by lack of beds and staff.

The City and East London Area Health Authority has reduced the number of cancer beds at the hospital by four, from 28 to 24, and has reduced the number of department staff by one consultant physician. London University has also reduced the number of university staff in the oncology department at the hospital by one, and is reducing it by two more next year.

Consequently only one or two new patients can be treated each week. A total of 150, including some children, will have been treated by the time the trial is finished in 1983. "No one now believes that interferon is going to transform the treatment of cancer in the foreseeable future (Our Medical Correspondent writes). What seems likely is that it is going to prove a valuable addition to the range of anti-cancer drugs since it is fundamentally different from those in current use."

## AA dispute the accuracy of police radar guns

By Peter Waymark

Radar guns used by the police to check vehicle speeds can be upset by radio interference, according to tests by the Automobile Association. The AA says the guns should be modified to reduce or eliminate the interference. The tests were on an unmodified Mini 1000, the gun in most common use by the police, and the MPR K-15. The AA says: "There are thousands of radio transmitters, many of them in cars, operating on frequencies which could cause interference."

The Association of Chief Police Officers yesterday stood by its recent statement that hand-held radar devices were accurate when operating in accordance with instructions. The association's traffic committee, chaired by Mr Charles McLachlan, Chief Constable of Nottinghamshire, ordered an inquiry into the operation of radar guns after a court case in March.

Upholding an appeal by a motorist against a speeding conviction at Newport Crown Court, Gwent, Judge Charles Pitchford recommended safeguards to be adopted by police using radar equipment. Among these were that officers should test the site for sources of possible radio interference and make sure that their own radios were not being used.

The Association of Chief Police Officers replied that both measures were already part of police practice.



Heavy make-up for Clinton Gibson, aged nine, of Oxford Gardens School, Kensington.

## Schools' do-it-yourself arts show

By Alan Hamilton

The reedy piping of madrigals took wing in the warm, windy air of the South Bank, in London, yesterday, only to be smothered by the combined opposition of a brassy rendering of Tuxedo Junction and the iron drum-roll of trains crossing Hungerford Bridge.

Two thousand children from Inner London Education Authority schools were displaying their creative skills in the second "Schools on the South Bank" festival, which continues until Friday with a new cast every day, each from a different ILA district. The open-air end-of-term entertainment was tried for the first

time last year, and promises to become an annual event.

Any ILA school may send a group, a class or even the entire register, to demonstrate to each other and to itinerant office workers their artistic accomplishments. Yesterday the musical offerings were supplemented by a display of antipodean baton-throwing by a troupe of diminutive and lily-white Maoris from Fulham, a topical pageant of Weddings Around the World, and an art gallery that covered the railings from County Hall almost to Waterloo Bridge.

The event gives thousands of demob-happy children, their concentration waning with the

approaching end of term, a day out at minimal cost. At the same time it brings life and colour to the arid concrete boulevard of the South Bank. Children, not yet having attained the age of unemployment, displayed a racial harmony which has been missing elsewhere in recent days. The Henry Compton School Swing Band was performing Tuxedo Junction with a much more racially mixed line-up on trumpet and alto saxophone than Glenn Miller ever displayed, and the Wedgwood School steel band had one white drummer in its otherwise West Indian complement.

## Doctor accused of killing by overdose

A Harley Street doctor's extreme negligence killed a patient who he was treating for warts, it was alleged at the Central Criminal Court yesterday.

Dr Gordon Kells, aged 36, of Devonshire Mews, Marylebone, has denied unlawfully killing Mr Leslie Holt, aged 42, on September 13, 1979.

Mr David Tudor Price, for the prosecution, said: "Mr Holt, an antique dealer, of Blandford, Dorset, South Wales, had gone to Dr Kells to have warts removed from his feet. The Crown says that Dr Kells, in carrying out a normally simple routine treatment, was grossly negligent that he killed his patient."

"Every one of us, including a professional man, is capable of making a momentary slip which can have disastrous or even a fatal result. But we say this is not a case of a professional man making that kind of error that carelessness can produce."

Mr Tudor Price told the jury that Dr Kells' conduct "reached such an extreme of negligence that it can be categorized as criminal".

Mr Holt had suffered a heart attack in either the July or August before his death, post mortem revealed.

In September, while he was staying in London, he made an appointment to see Dr Kells. Mr Tudor Price told how an ambulance crew had received an emergency call from Dr Kells's surgery.

"The ambulance driver said that when he arrived Mr Kells was very upset and panicky and Mr Holt was lying on an examination couch and had ceased to breathe."

According to the Crown, Dr Kells explained that, in the course of removing a wart from the man's foot, he had given him a quantity of Valium.

According to the ambulance man they had tried, with Dr Kells, to revive the patient, using a special tube; but Mr Tudor Price alleged, "Dr Kells was in such a state of agitation that he put the tube in the wrong place and he ambulance man had to ask the doctor to reposition it."

Mr Holt was taken to University College Hospital, where the hospital registrar, Dr Winner, managed to get his heart restarted. By that time Mr Holt had suffered extensive brain damage, Mr Tudor Price said.

Mr Holt was kept technically alive by artificial means until September 25 when, as a result of pneumonia, even the artificial means failed and he was declared dead.

Mr Tudor Price went on: "Dr Kells had told the registrar and the consultant he had injected Valium into the vein."

"The prosecution case is that he had not done so; in fact he had injected a very considerable overdose of a fast acting anaesthetic drug called methohexitone."

Dr Kells must have known he used methohexitone and that meant he lied in saying he had used valium Mr Tudor Price said.

"One answer, perhaps, may be that Dr Kells knew it was totally improper to have given an intravenous injection of methohexitone. He appeared to have given a considerable overdose, probably as much as ten times the accepted anaesthetic dose. The hearing continues."

## BBC union condemns world service cuts

By Kenneth Gosling

As the number of MPs signing the all-party Commons motion condemning the cuts in the BBC's external services rose yesterday to 94, the main broadcasting union issued the text of a letter to the Prime Minister describing the economies as irrelevant, unnecessary and damaging.

Mr D. A. Bearn, general secretary of the Association of Broadcasting and Allied Staffs, told Mrs Margaret Thatcher the issue was the survival of the BBC as a major international broadcaster. He described the Government's suggestion that the choice was between having 33 language services that were audible and 40 that were not as facile and misleading.

Last month the Government announced cuts to seven language services and the BBC's transcription service, adding that more money would be made available for the transmitter programme. The total saving would be £3m.

Mr Bearn said: "The ABS has warned repeatedly of the damage to the transmission system that must result from the repeated cuts in the capital expenditure plans of the external services forced on the BBC by governments in the last few years."

"The 'increases' in capital expenditure now proposed by

the Government amount at best to the reinstatement of the capital programme which was cut in 1979."

It was, he said, replacement money rather than expansion money; it was needed to replace worn out plant and would not allow for improvements in the audibility of programmes in several key audience target areas.

In an English language broadcast at the weekend Moscow Radio referred to Britain, to the involvement of *The Times*, and in particular to a letter from Mr John le Carré, the author, in the controversy over the Government's plan to discontinue the services. It accused Mr le Carré of having politically well-grounded reasons for taking up the cudgils for the BBC. It claimed he was shooting from the hip in defending the corporation.

There are to be more parliamentary moves to oppose the cuts. Lord Strabolgi, the Labour peer, is to raise the matter in the Lords today and Mr Greville Janner, Labour MP for Leicester, West, a co-sponsor of the Commons motion, is to introduce a Bill under the 10-minute rule on July 21 calling for a royal commission into the external services.

Mr Francis Pym, Leader of the Commons, has already rejected a call for a debate.

## Woman wins right to stay in UK

An Asian woman has won a two-year battle against the Home Office to be allowed to remain in Britain.

Mrs Nasira Begum was told yesterday by an immigration appeals tribunal that it had rejected an appeal from the Home Office that she should be deported.

Mrs Begum, aged about 30, first came to Britain in 1976 and soon after that her brother arranged a marriage for her to Mr Mohammed Afzal, a Pakistani supermarket proprietor in Manchester, with British nationality.

He applied for her to be allowed to stay but the marriage lasted only three months. In 1979 the Home Office refused her leave to remain because it considered she had married only for convenience. It also alleged that her husband was already married at the time of the wedding.

It ordered her deportation, but she appealed and an adjudicator ruled in her favour. The Home Office appealed against that ruling but now an appeals tribunal which heard the Home Office appeal has ruled in her favour.

Yesterday her MP, Mr Gerald Kaufman (Manchester, Ardwick) said: "Following the decision of the immigration appeals tribunal in favour of Mrs Begum, I am writing to the Home Secretary asking him for two assurances."

"Firstly, I am asking for assurance that he will now give instructions that the husband Nasira is to end, and that there will be no further attempts through the courts to deprive her of her established right to remain in this country."

"Secondly, I am seeking assurance that she will now be allowed to remain in this country."

Mrs Begum's case received widespread publicity and led to demonstrations in her support.

## BABY LEFT TO STARVE TO DEATH

From Our Correspondent Manchester

Christopher Breeze, aged nine months, starved to death when he and his brother were left alone by their parents, Manchester Crown Court was told yesterday.

He was left without food for five days in an unlit, unheated bedroom, Mr Michael Shorrocks, for the prosecution, added.

When ambulancemen went to the house, having been summoned by the boys' grandfather, they found flies swarming around Christopher's body and maggots on the mattress where he lay dead.

His brother Barry, aged 19 months, had not been fed for three days and the skin was peeling off his feet. Barry Breeze, aged 20, and his wife, Doreen, aged 19, of Albany House, Ladywell Estate, Salford, Manchester, admitted the manslaughter of Christopher of Christopher and a charge of cruelty against Barry.

"This has been described as a horrifying story and it is," Mr Justice Forbes commented when he jailed each parent for four years.

"These children were simply forgotten — deliberately overlooked might be the better expression — and your older child was inadequately fed, his elementary hygiene neglected and he was subjected to cold. Your younger child was shut up in a small bedroom without food, light or heat for something like five days, having been inadequately fed for a long time before that. It was gross, irresponsible behaviour."

Mr Shorrocks said that almost every day in the months before Christopher died the boys would be left alone while their parents went out in the morning and returned late at night.

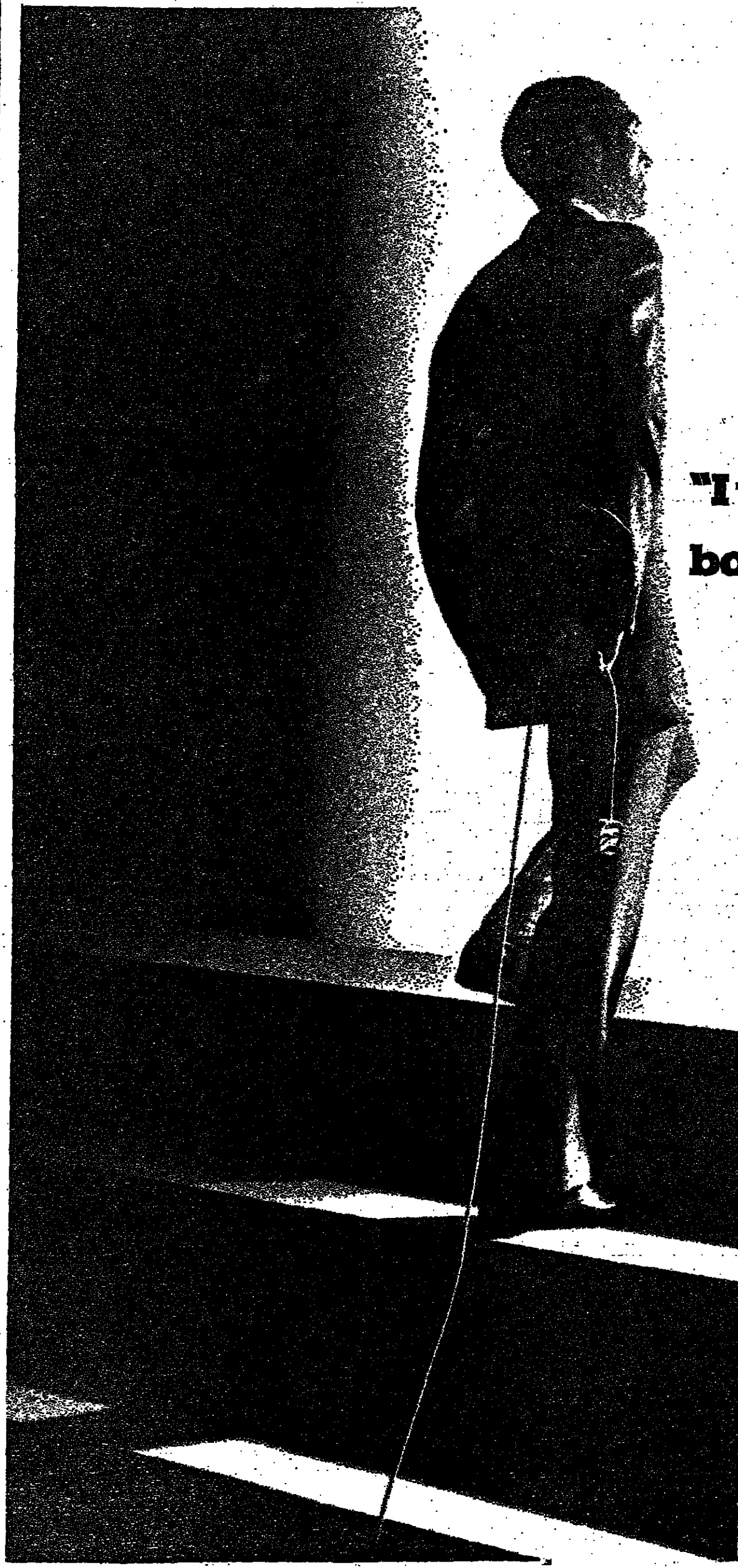
## SANDS MARCHER FINED £100

Alexander Edward Fraser, aged 27, of Greenway Walk, Moss Side, Manchester, a demonstrator on a banned march in support of Robert Sands, the IRA hunger-striker, was fined £100 yesterday for obstructing a police officer.

Magistrates at Willesden, north London, ordered him to pay the fine within 14 days. He admitted obstruction at the rally in Kilburn on April 26.

## COAL TEST SITE

The National Coal Board has given planning permission test drill for coal near Eagle, north of the Belvoir colliery, ordered him to pay the fine within 14 days. He admitted obstruction at the rally in Kilburn on April 26.



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PARLIAMENT July 6 1981

# Home Secretary endorses use of CS gas against rioters

## COMMONS

In the circumstances of Sunday night's violent disturbances in Toxteth, Liverpool, the Chief Constable of Merseyside had no alternative to using CS gas, Mr. Whitlaw said in a Commons statement.

Distasteful though this was to him and me (he went on), I believe it was totally right in that circumstances.

Mr. Whitlaw was reporting on the violence which occurred during Friday night in Southall, London, and on Saturday night in Toxteth, Liverpool. The violence arose in different circumstances, he explained.

In the light of the new ferocity of the violence, Mr. Whitlaw said he had decided that better protective headgear and fire-resistant clothing must be available to the police, and steps would be taken, with police authorities, to this end.

The working group, which he had set up after the Bristol disorders, would carry these decisions forward.

Mr. Whitlaw (Pentlands and Border, C) said the disturbances in Southall began when a group of white skinhead youths besieged a shop window in the Broadway.

Word of this (he said) soon passed within the local community, and a group of Asian youths gathered near a public house where skinheads were listening to a pop group.

The pub was attacked and the police, in their attempts to keep the two sides apart, were assaulted with petrol bombs, bricks and other missiles.

As the police were increasingly reinforced they brought the disturbances under control. But 105 officers and three firemen and three ambulance men were injured. Twenty-five members of the public were treated in hospital. There was damage to property, and 23 arrests were made.

There were some further disturbances in Southall on Saturday, but the scale of the violence of the previous evening did not recur.

In Toxteth in Liverpool on Friday evening, a group of police officers attempting to arrest a youth whom they believed to have set a motor cycle on fire.

The following evening, when police were called to an alleged disturbance, the police were again attacked, on this occasion ferociously, with bricks and other missiles. Riotous mobs called on buildings were set alight and the police were assaulted with petrol bombs.

The area in which the disturbances occurred was cordoned by police, and brought under control. Seventy-five police officers were injured, one of them seriously. 15 cars were damaged.

The worst violence of the weekend occurred last night in Toxteth, and the police will be aware of its main features.

The police were faced with concerted violence by white and black youths, who threw bricks, petrol bombs, and setting fire to, and looting, buildings.

The cordons the police had formed to prevent looting were attacked by having stolen vehicles driven at them.

The fire services were unable to bring their equipment into the area to control the buildings that were ablaze. The 52 occupants of the houses were evacuated.

In order to prevent further violence and damage, the Chief Constable authorised the use of CS gas. This was effective, and the rioters were rapidly dispersed.

The Merseyside police were reinforced very quickly by officers from the Greater Manchester, Cheshire and Lancashire forces. None the less, the injuries sustained and the destruction of property were serious. 175 police officers were injured, and 52 are still detained in hospital. Seventy cars have been damaged.

This weekend, particularly in Liverpool, the police were attacked with petrol bombs, bricks and other missiles. Violence at such a level must be firmly met if people and property are to be protected. I wish to make it clear that the police have my full support in taking positive action when necessary.

Throughout the weekend, I have been in contact with the Commissioner and the Chief Constable of Merseyside.

stable of Merseyside. They have both reported to me personally today.

As far as the events in Southall are concerned, the Commissioner will present a detailed report to me, and Southall will form a part of the study into racial attacks which is currently under way.

The Chief Constable of Merseyside will, of course, be making the report he presents to his police authority available to me.

The House will wish to pay tribute to the officers of all the forces involved and to those from the emergency services who sought to carry out their duty in the face of such determined opposition.

The Government is determined to see that our people are protected. For that to succeed, those to whom we entrust this task must have the full support of all our leaders and all our people.

## Unemployment blamed by Opposition

Mr. Roy Hattersley, chief Opposition spokesman on home affairs (Birmingham, Spartanburg, Lab), said the Government was responsible for the violence which had taken place over the past three nights. The Home Secretary has said that the violence in Toxteth and Southall arose from different causes: an essential factor to be remembered during the debate which is bound to follow.

While accepting and endorsing that, will he confirm that those two areas share with Bristol and East, C, said that the nature of the violence that has taken place in those areas is a direct result of the high levels of unemployment and abysmally inadequate housing?

Those problems have been compounded by the escalating levels of youth unemployment and the fact that the police must take a share of the blame. Will he also accept that the problems are likely to intensify over the next few years with the enrolment of thousands of more young people as they leave school—in the dole queue?

In the light of that, will the Government accept the need to improve their housing, increase their prospects of employment and to ensure that the police are not disadvantaged by a major cause of this week's chaos?

Realizing that even the skinheads who invaded Southall last night were not the cause of the violence, will he accept that the police are not to be blamed for the violence which was a major cause of this week's chaos?

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duct of that deprivation: such incidents as the one at Widhamstow last week, which the police themselves described as murder through racial attack. It is essential that the Government should have the Opposition's support in tackling the systems of these problems; also attacks the causes of these problems. (Labour cheers.)

It is essential that that process begins with an opportunity for the House to debate how incidents and violence and tragedy like those we have witnessed in the past three days came about.

Will he use his influence and good offices to ensure that before Parliament rises the majority of racial violence, its causes and results are presented to this House, that we have an opportunity to debate that report, and that an opportunity is provided for those who argue, as we intend to argue, that the causes of such incidents are social and economic circumstances, are changed such incidents are likely.

Mr. Whitlaw said that there should be a debate. I will speak to the Leader of the House as to his responsibility, but the Government as a whole would welcome the opportunity for such a debate.

As to whether the inquiry into racial violence can be ready for such a debate, I will do my best, but I cannot say more.

Inquiry and the more work it is asked to do the more difficult it is to bring it to a quick conclusion.

Mr. Whitlaw said that the Government's support on the need to deal firmly with mindless violence in our society. Many different reasons can be put forward, but can never be any reason or excuse for violence of the sort we have seen.

As to the various social reasons Mr. Hattersley put forward, it is just worth the House appreciating that the Liverpool incident cost £17,500,000 in 1981-82. In addition a further £17,200,000 will be available to the Merseyside Development Corporation.

There are not sums which can easily be written off. I return firmly to my major point. Of course this House should debate all these matters, but I hope the House will not at any time get into the habit of imagining that there can be any reason or excuse for mindless violence in a free society.

Mr. Richard Cawshaw (Liverpool, Toxteth, SDP): Although there is a high unemployment rate in the area, the looting and mindless violence that has taken place over the past three nights. The Home Secretary has said that the violence in Toxteth and Southall arose from different causes: an essential factor to be remembered during the debate which is bound to follow.

While accepting and endorsing that, will he confirm that those two areas share with Bristol and East, C, said that the nature of the violence that has taken place in those areas is a direct result of the high levels of unemployment and abysmally inadequate housing?

Those problems have been compounded by the escalating levels of youth unemployment and the fact that the police must take a share of the blame. Will he also accept that the problems are likely to intensify over the next few years with the enrolment of thousands of more young people as they leave school—in the dole queue?

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heads, some of them members of the black racist organisation. Will he undertake to see that the Metropolitan Commissioner carries out a thorough investigation into aspects of the undoubted premises which have the support of 400 skinheads from other parts of London in order to trigger off this disturbance?

Southall is a peace loving community where the representatives of the ethnic minorities—although not minorities in my constituency—have excellent relationships with the police. There have been peaceful and harmonious circumstances for many years.

That is the basic situation in Southall. They cannot take it from outsiders when they come in. It is a fact that the police are not seen to be acting with the clarity that they should be showing—and there are aspects of this that the Commissioner will listen carefully to community leaders.

It is not seen as protectors of the ethnic minorities, then, undoubtedly they will form in order to protect themselves.

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Whitlaw and Hattersley: Mindless violence.

Home Secretary would take in view of the statement by Mr. Hattersley that a firm resolve to make violence in the area, against those who had circulated a leaflet in the Toxteth area, and call for their immediate release and a full investigation of all charges against them.

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## Compensation claims under Riot Act

After Lord Belstead, Under Secretary of State, Home Office, had repeated Mr. Whitlaw's statement in the House of Commons, the Opposition, said whenever the immediate or underlying causes, whatever the tension, frustration, or any other factor, there could be no justification or excuse for these appalling acts. Nothing could excuse them.

It was regrettable that CS gas had to be used. It brought a new dimension to these outbreaks of violence, but in the circumstances the decision was correct.

There was a need urgently to deal with the growing and increasingly disturbing problem of the inner city areas and the extent to which racial tensions had played a part.

What provisions are there (he went on) under the Riot Damages Act 1886? There is an overriding need, whatever the longer-term action, to ensure that law and order are maintained and that the means must be given to do that. People must be protected.

Lord Wigoder (L), for the Liberal, said his information was that in Liverpool extremists from both right and left, but particularly from the left, and come into the area and were deliberately stirring up trouble.

The people responsible should be ruthlessly rooted out and dealt with for the various offences of incitement.

When would the working group on police equipment report? Could Lord Scarman issue an immediate report on the police equipment?

Lord Scarman said he was dealing with the police equipment and the police equipment was being dealt with the longer-term problems? Lord Belstead said the Government must wait to consider in detail the report which would come from both the Commissioner for the Metropolitan Police and the Chief Constable of Merseyside.

The Ministry of Home Affairs would be dealing with the Riot Damages Act 1886. Subject to certain conditions, the Government would be prepared to pay out of the police fund, compensation to any person whose house, shop or building had been injured or destroyed, or its contents damaged, destroyed or stolen.

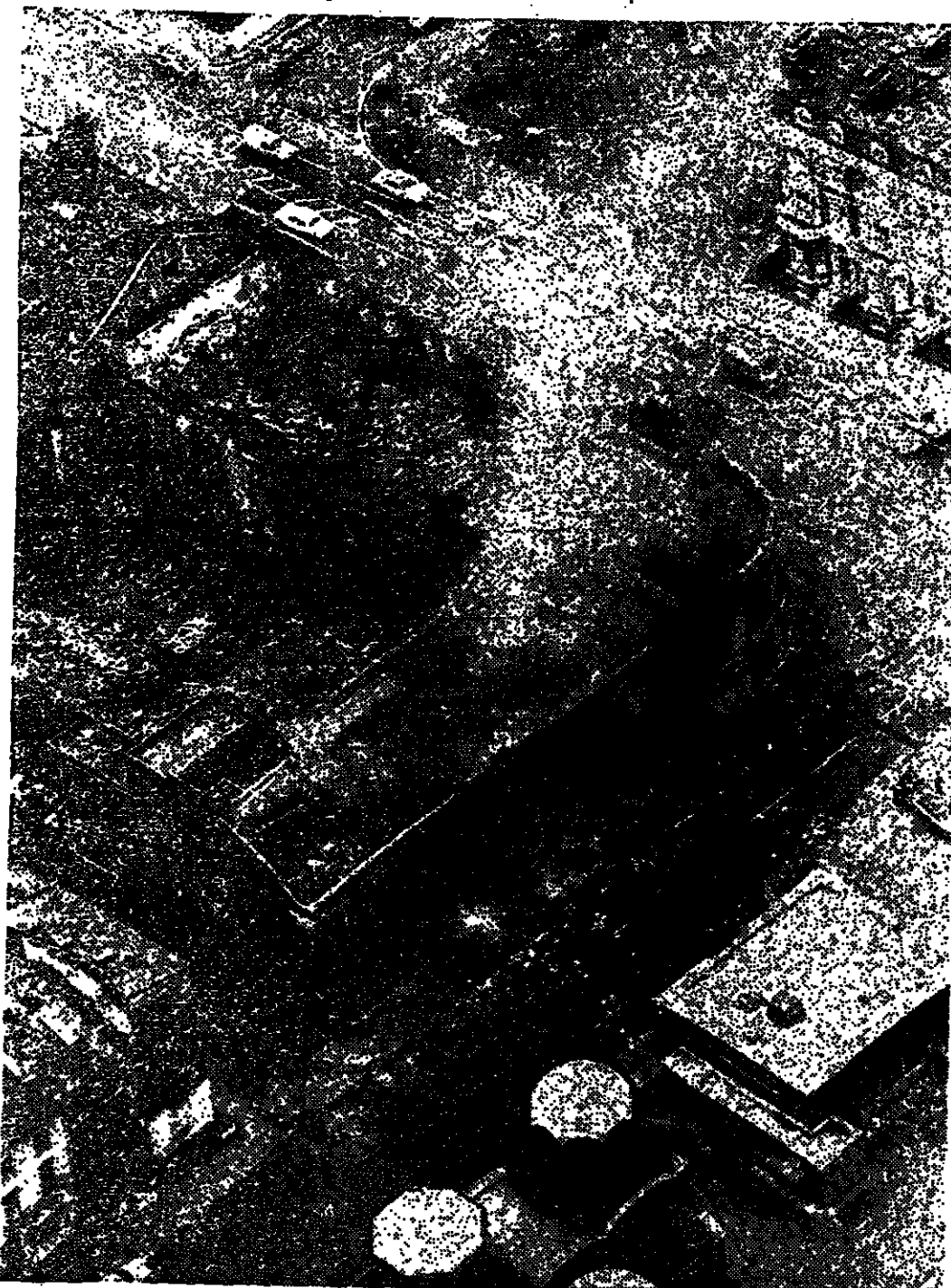
On the question of extremists, the investigations of the Commissioner and the Chief Constable would be important. Anyone who had sought to foment disorder in these communities, or in any other community, would be dealt with.

On police equipment, Mr. Whitlaw would seek to make a statement as quickly as possible, helmets resembling those worn by motor cyclists, and other equipment, and the introduction of fire-resistant materials for uniforms would go forward.

The second part of the Scarman inquiry, which was to consider the problem of policing areas where there was a high concentration of black and Asian people, was being dealt with.



# Toxteth: Daylight reveals the worst riot damage ever seen in mainland Britain



That famous Liverpool landmark the Rialto building, now a smoking shell.



There were buildings in Lodge Lane Toxteth—a scene reminiscent of the blitz.



Hours after the disaster firemen still at work in Upper Parliament Street.



Clearing up in the wake of the looters—the victims can scarcely believe what happened.



Tesco's in Smithdown Road—after the looters had finished.

## The community

### Liverpool counts the cost of chaos

By Nicholas Timmins

A special meeting of Liverpool City Council on the riots has been called for Friday at the request of the Labour group. Typists belonging to Nalco will lift their picket to allow Labour members to attend.

Merseyside county council was yesterday examining the question of compensation for the many businesses who have lost their premises and livelihoods as firemen damped down fires and demolished more than a dozen buildings reduced to shells by fires.

In Lodge Lane, 20 buildings had been set ablaze and seven had either collapsed or had to be demolished. Dozens of shops had been looted, scarcely one remaining undamaged, and the abandoned spoils of looting from food to electrical goods littered the streets. Gas pipelines continued to flare as the air was filled with the crash of buildings being brought down.

Half a mile away a dozen buildings in Upper Parliament Street were gutted, smoking ruins including the 104-year-old Racquet Club where valuable paintings were destroyed.

Alongside, smashed windows were boarded up in the Princes Park Hospital from which elderly patients had to be evacuated when flames from the club threatened to engulf it. Twisted wrecked lampposts, traffic lights and islands littered the road. Three bus shelters were reduced to mangled metal.

Gutted vehicles still smoked. A pool of dry blood could be seen on the pavements. A 21-ton mechanical excavator was being dragged away from Jamaica House, a community bank; it had been used to ram the building. The giant Rialto Centre, which housed a furniture store with half an acre of floor space, was smoking. Its roof and floors had fallen in. A National Westminster Bank opposite was another shell.

Half a mile farther on, in Park Road, half a dozen shops had been fired or looted as dawn came up.

Mr Harold Scruton, Merseyside's assistant chief fire officer, said firemen in Lodge Lane had rescued people from the upper floors of blazing buildings set alight by cars driven into their shop fronts, while looters emptied the shops and fired them. Appliances had

been unable to approach many of the worst fires in Upper Parliament Street.

In Lodge Lane, some of the few undamaged premises, including a bingo hall, boarded up their windows in anticipation of more trouble.

Mr Brian Lee, aged 31, a Post Office driver and father of two, loaded furniture into a hire van to move out of his ground floor council flat that backs on to the scene of the worst rioting. He had lived happily there for six years but after two sleepless nights, he said he was moving to his mother's flat three miles

landlord of the Croxteth Arms, mourned an all-night vigil with the assistance of 12 of his customers to save the pub from the rioters. They were armed with heavy staves, but none of the mob approached. Mr Cecil said: "It was like a war. I've never witnessed anything like it in my life."

Fifty-nine people appeared in court in Liverpool yesterday. The accused ranged from juveniles accused of looting to men and women charged with grievous bodily harm and possessing offensive weapons.

Most of them were remanded in custody after spending a night in the city's main Bridewell cells and only those with extraordinary circumstances in their bail applications were released. The courts were sitting until late last night dealing with the hearings.

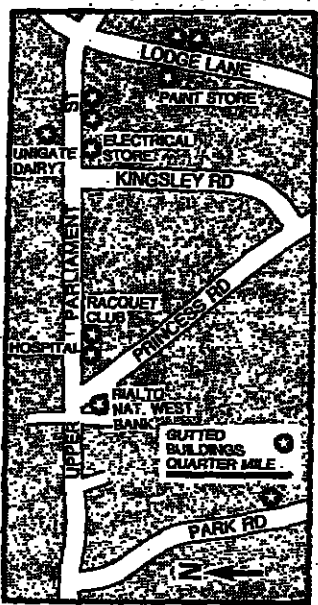
Reporting restrictions were lifted in the hearing of one coloured youth, after Rex Makin, solicitor, had made a submission to the Liverpool Stipendiary Magistrate, Mr Norman Wootton.

John Phillips, aged 20, of Eastvale Heights, Toxteth, was remanded until July 13 charged with possession of petrol bombs with intent to damage or destroy property and possession of petrol bombs with intent to endanger police officers' lives. Counsel for the prosecution said he was arrested after a can of petrol was found in his car.

Mr Makin said that his client had been mistaken for someone else who was throwing petrol bombs. There was no application for bail.

Insurance companies yesterday pledged to deal "as speedily as possible" with claims from people whose property had been damaged in the disturbances at Toxteth and Southall. The British Insurance Association advised people with claims to get in touch at once with their insurance company, broker or agent to do what they could to make property safe from further loss or damage, and said "reasonable costs for emergency repairs could be included in the claim."

The association said almost all household and motor policies for small businesses, covered riot and malicious damage. People were urged to make claims as soon as possible and to contact police for advice on arrangements for compensation.



## The police



The shape of things to come: The protective helmet worn by police in Ulster (above right) has been discussed by a Home Office working party into better riot protection for police. Left, a policeman on duty during the Toxteth riots with less substantial headgear.



### PC hit by garden spade says: 'It's my job'

From Ronald Kershaw, Liverpool

There were still 30 police officers in hospital last night after the weekend's riots at Toxteth, Liverpool.

One of them, nursing a nine inch gash in his forehead at the Royal Liverpool Hospital, said it was "blatantly obvious" that the rioters were highly organised in their attacks on the police.

Police Constable Michael Eveleigh described a manoeuvre carried out with almost military precision which could have had disastrous results if the police had fallen for it.

He described how a line of 30 police officers in Kingsley Road were first attacked by missiles and makeshift weapons. Three ringleaders wearing IRA-type masks, then called back the rioters, all aged between 14 and 30 years-old. As they withdrew, the police advanced towards a junction.

"They tried to draw us up past the junction where another mob was hiding, but we held back so they brought them all down in a rush straight at us", PC Eveleigh said.

The constable was wounded in the ensuing battle. He described how a young masked black man sliced between the riot shields with a garden spade.

"I assume it struck me on the forehead", he said.

In fact, the garden spade sliced through his helmet causing a wound that needed nine stitches. Asked if he would go back into a line again, he said simply: "It's my job. That is what I am paid for."

PC Eveleigh, aged 32, is married with two children. His wife, Mary, who was at his bedside, said: "He's very brave. But I hope nothing like this happens again. It's Mike's job to prevent crime and you always have to live with the fear that something like this might happen."

Police Constable Hanson, aged 32, from Birkhead, another patient at the Royal Hospital, took up a riot shield in Lodge Lane, Toxteth. He said the police were warding off missiles and holding the line in the road until the rioters rolled a fire engine towards them.

"The safest thing was to move and take cover", PC Hanson said. "That broke up the line and the crowd went berserk. They were pounding on the shields with everything they could lay their hands on. The next thing I remember my helmet was smashed, I fell down and was dragged away by my

colleagues." He also was suffering from head injuries.

After an operation to his head, stitches over his eye and treatment to his leg, PC Paul Marten, aged 25, of Ainsdale, was recovering in hospital last night. He was hit by a slab of concrete. "At one stage I thought I was going to be killed", he said.

PC John Webb, aged 24, of Widnes, a member of the Operational Support Division, had to jump for his life when hijacked cars were started, their accelerators jammed down and the cars aimed at the police.

He was in hospital with head and neck injuries. He described how he was moving up Upper Parliament Street and came under attack from petrol bombs and stones.

"We couldn't see who was throwing because it was dark; but we kept going and that's when the cars were set at us", he said. He was hit by a stone and knocked out.

Mrs Margaret Simey, chairman of Merseyside police committee, defended the police. She said: "The police were doing a very good job. There was a great deal of mutual suspicion and hostility between them and the public in parts of the area."

## Housing

### The city that tried, perhaps too hard

By John Young

When Mr Michael Heseltine, Secretary of State for the Environment, faces the Commons Select Committee on the Environment today, he may have at the back of his mind an incident in Toxteth only 11 days ago.

On that occasion Mr Heseltine was leading an official party to inspect an environmental improvement scheme in Princes Avenue. The celebrations were somewhat marred by a group of demonstrators who threw eggs and rotting vegetables at the ministerial coach.

It would of course be foolish to equate such a relatively harmless incident with the far more serious rioting which occurred over the weekend. But it may well be used as evidence that Government spending cuts have helped to fan the flames of resentment and frustration that are erupting in deprived inner city areas.

Mr Heseltine, who will today be questioned specifically on housing matters, may be expected to stonewall as stubbornly as he did before the Commons committee last year. Throughout, he has flatly refused to supply any forecast of the country's housing needs in the years to come or to reveal the basis for his department's estimates, a refusal for which he was castigated in the committee's report last year.

But it is not just his fellow MPs who have expressed concern. Local authorities of all political complexions, housing associations, pressure groups like Shelter, and leaders of the construction industry and its associated professions have united in condemning the Government's housing cuts as short-sighted and certain to lead to a crisis.

If Mr Heseltine is worried, he does not show it. His response has been that vast amounts of public money have been poured into housing in the past 25 years, and that by and large it has proved a bad investment. If housing has been made to bear the brunt of the cuts, which it has, that is because there are better ways of using scarce funds.

Both he and his colleague Mr John Stanley, Minister for Housing and Construction, have repeatedly urged local authorities to look at other ways of meeting housing needs, such as building and improving flats and houses for sale, and offering derelict properties to first time buyers willing to renovate them. If councils want more money, it is said, they should sell off many properties as they can and reinvest the proceeds.

Ironically, Liverpool city council housing committee, under the leadership of Liberals like Sir Trevor Jones and Mr David Alton, now MP for Edge Hill, has been among the pioneers of new schemes like building low cost houses for sale. But it also has a grim record of responsibility for some of the most notorious estates in Britain; Kirkby, the Pigeonries, Belle Vale and Newton.

There are council officials in Liverpool who would agree with Mr Heseltine's view that money has been wasted. One of them pointed out yesterday that Toxteth, or "Liverpool 8" as it is known to sociologists, has probably received more public funds than any other district of the city.

"There have been suggestions that blacks don't receive a fair crack of the whip when it comes to allocations," he added. "But the council has never kept any record of applicants' race or colour."

large firms closing down or shedding labour and only small ones starting up. It's a never ending battle which just gets worse.

The most recent blow was the closure of a Courtaulds factory in Aintree. A few months ago it was sugar firm Tate & Lyle which finally closed its refinery in Love Lane, Liverpool—1,570 jobs were lost. Before that were English Electric, Plessey, Thorn Colour Tubes, Council Laird, Western Ship Repairs, Tilotsons, Bird's Eye, KME, Standard Triumph, Dunlop, Mecanno, and Massey Ferguson.

It was no coincidence that the TUC chose Liverpool as the starting point of the recent People's March for Jobs. Mr Parry added: "When firms rationalize they choose areas like Liverpool in which to close factories. The growth of the EEC has attracted more firms to the east and south-east."

The industrial development officer for the city, Mr David Mowat, has pledged that the government will give Merseyside more help, especially to find young people jobs.

Job losses are exceeding job gains and the school-leaver are being hit hardest," he said.

## Tragedy of blacks

From the Press Association  
Wry comics in Liverpool joke that the dole queue is one of the two expanding industries in the city. The other is for security men to guard the empty factories. More than one in six are now out of work in the city—more than at any time since the war. In the rundown area of Toxteth, the number of jobs lost was put at 37 per cent by a city council survey last year.

Other estimates paint a much more dismal picture. A recent Liverpool University report on the Liverpool 8 district, which includes Toxteth, put white unemployment at 43 per cent and black at 47 per cent.

In its 1980 report, Merseyside Community Relations Committee said half the black people in the city were out of work, while a House of Commons sub-committee was told earlier this year that 60 per cent of black youths were jobless.

Latest unemployment figures show 81,723 people, chasing 1,019 jobs. At the careers office, with thousands of schoolleavers looking for work, there are just 12 jobs. This is the depressing picture of life today in Liverpool, once a highly prosperous sea port. The recession has hit the city especially hard.

Mr Parry of the local employment office said: "We have

## The gas that brought terror to an end

By Stewart Tendler

As clouds of CS gas drifted through the streets of Liverpool yesterday morning Merseyside police had made a kind of history. For the first time in mainland Britain a police force was forced to use chemical inhibitors to fight rioting mobs.

A familiar sight in Ulster since 1969, CS gas has been included in the police arsenal since the middle 1960s; but only used in cases such as

A weapon often surrounded by controversy in Ulster, the full chemical name of the gas is 2-chlorobenzalmalononitrile, and derives from nothing more sinister than the active ingredient of cayenne pepper and paprika. The prefix "CS" is taken from the names of two American scientists, Corson and Stoughton, who worked on its development during the last war.

Developed by the British in the 1950s to control public disorder, CS was seen as a riot control agent which should produce acute symptoms within 30 seconds, and incapacitation within one to two minutes, to such an extent that the rioter

is no longer interested in hostile activity and is capable only of escape; but he must remain physically capable of escape. The police do not have water cannon.

A water-soluble, white crystal with a faint peppery smell, it is cheap to make and has sold in the United States at less than £5 a kilo.

Depending on dosage, the effects range from a slight prickling sensation in the eyes and nose to gripping pains in the chest, running nose and coughing which in turn can lead to retching and vomiting. Exposed skin can also be damaged, producing burns.

## Rubber bullets—yes, if need be

Police in Liverpool yesterday said they could not rule out the use of rubber bullets if violence continued to escalate in the streets of the city.

After a weekend of devastation that saw CS gas used on the mainland of Britain against rioters for the first time, Mr Peter Wright, Merseyside Deputy Police Constable, said he did not like the thought of rubber bullets. "Whether we decide to use them on Merseyside is a judgment which might have to be taken eventually."

The gas was used at about 2 am on Monday as police lines were blocking the entrance down Toxteth's Upper Parliament Street to the city centre after a truce had been called to allow 98 geriatric patients at the Princes Park Hospital, caught in the riots, to be evacuated to seven hospitals around the city by a fleet of ambulances and taxis.

As soon as the patients had been moved the street battle

started again. Mr Wright said: "We used between 25 and 30 cans of gas and they had the desired effect. It dispersed the mob at a time when they were becoming a great danger to our containment line."

With Sunday night's toll of injured officers standing at 186, with 43 detained, one with a seriously fractured skull, Mr Wright said there had been 70 arrests.

Mr Wright said that despite the fact that only eight hundred police were in the area, against the thousands available at Birkenhead, and the fact that a large stretch of Upper Parliament Street and Lodge Lane were in the control of rioters and looters during Sunday's seven hours of clashes, he insisted that the police had remained in control.

"Our policy is still containment and if the men sometimes appeared to retreat this was for their own safety. They could do little else when the petrol and

oil on the road under their feet was ignited by petrol bombs.

"At all times the police were in control even though our policy of retreat on occasions might have made it appear that we were being beaten. We were clearing out of areas where the street was littered with bricks."

He appealed to parents to control their children. "These people are destroying their own neighbourhood and it is mainly youngsters throwing bricks as big as your fist at the police. They were obviously doing it for sheer excitement, and I feel sure their parents had no inclination of their whereabouts."

He conceded that police feared a repetition of the violence.

The Liverpool Echo called last night for an abandonment of Merseyside Police's policy of containment in favour of what it called "a more positive approach."



## Dayan emerges as a key figure in coalition talks

From Christopher Walker, Jerusalem, July 6

Mr Moshe Dayan, the Israeli war hero and former Foreign Minister, emerged today as a key figure in the continuing round of private negotiations designed to produce a new coalition government with a workable majority in the 120-seat Knesset.

For nearly two hours this morning, Mr Dayan and other prominent members of his newly formed Telem party held discussions with Mr Menachem Begin, the Prime Minister, who is now confidently expected to be confirmed as the head of a new right-wing administration before the end of the month.

Ironically, Mr Dayan's emergence as an important figure in the talks has occurred despite the poor showing of his centre party which secured only two Knesset seats. Because of the closeness of the final result between the Likud and Labour, even such a small fraction has gained political significance.

Although Mr Dayan would say little after today's meeting, he confirmed that further talks with Mr Begin were planned, it is understood that he is hoping to secure a position as the man in charge of the Israeli team in the negotiations with Egypt over Palestinian autonomy.

From the outset of the campaign, Mr Dayan, who recently celebrated his sixty-sixth birthday, has made clear that his primary political goal was to improve Israel's future relationship with the Palestinians. He is the architect of a scheme for the unilateral imposition of autonomy in the occupied West Bank and the Gaza Strip, combined with a continued Israeli military presence.

In diplomatic circles, it is

believed that Mr Dayan could play an important part in helping the autonomy talks out of their present deadlock. Until now, the Israeli team has been led by Dr Joseph Burg, the Minister of the Interior and leader of the National Religious Party.

For complex political reasons, Dr Burg is one of those politicians who has been working behind the scenes to persuade Mr Dayan to add his personal and parliamentary backing to the proposed new coalition, which is expected to win the support of at least two of the three religious parties.

In an interview with *The Times* before voting took place, Mr Dayan said of his intentions after the election: "I do not want to be a member of the Cabinet, I do not want to be a minister, but I do want, and I am ready to deal personally, with the vital issue of Israel's relationships with the Palestinian Arabs."

Mr Dayan made clear that although he was a firm supporter of the right of Jews to settle in the occupied territories, he was against building new settlements in areas of concentrated Arab population. His resignation from the Government in 1979 was prompted by what he claimed was the Cabinet's inflexibility in its handling of the delicate autonomy issue.

Some members of the National Religious Party have reacted to speculation that Mr Dayan may be put in charge of the autonomy talks. But senior Likud figures claimed that the idea remained a working possibility as Mr

Begin intended to switch some important portfolios in his new administration.

In a separate development today, Mr Begin used an interview with the American NBC television network to call on President Sadat of Egypt to agree to an early resumption of the deadlocked autonomy negotiations.

Mr Begin claimed that the Egyptian leader had held up the talks in anticipation of the June 30 election. Now it was over, he urged that they be resumed as soon as possible.

Israeli officials believe that the Prime Minister is likely to hold a summit meeting with the Egyptian President in Alexandria sometime before Mr Sadat leaves for Washington next month for talks with President Reagan. The venue for the meeting was agreed when the two leaders met in Sinai last month, provided that Mr Begin was re-elected.

Although more political bargaining will be necessary before any coalition agreement can be signed, a number of Mr Begin's close associates now believe that he may be prepared to offer the post of Defence Minister to Mr Ariel Sharon, the former general and the present Agriculture Minister.

Mr Sharon is the man chiefly responsible for expanding Jewish settlements in the occupied territories and is widely regarded as an outspoken hawk on security issues. Since the resignation of Mr Ezer Weizmann in May, 1980, Mr Begin has been acting as his own Defence Minister, an arrangement that has been widely criticized inside the armed forces.

## Kidnapped oil man's body found in car

From John Earle, Rome, July 6

The body of Signor Giuseppe Tallorico, a petrochemical plant manager kidnapped by the Red Brigades, was found today in the boot of a Fiat 128 car.

The car was parked in a street at Mestre, on the Venice lagoon, where Signor Tallorico worked at Montedison's plant. The body had 14 bullet wounds.

Signor Tallorico was one of four people being held by the Red Brigades in different parts of Italy. The others are Signor Ciro Cirillo, a prominent Christian Democrat politician in Naples, Signor Renzo Sandrucci, personnel manager at Alfa Romeo's main plant near Milan, and Signor Roberto Paci, brother of an imprisoned brigatista who has a reputation and turned state evidence.

In a communiqué found a few days ago, the Red Brigades said they had tried Signor Tallorico and had sentenced him to death. They did not set terms for his release or attempt to bargain for his life, as in the case of Signor Cirillo, whose fate they have linked to the handing over of homes to Naples homeless and to other conditions.

At the New Year, Judge Giovanni d'Urso was released in Rome after the Asinara maximum security prison in Sardinia was closed and after Red Brigades proclamations on prison conditions were published. Signor Tallorico apparently had no chance to escape death.

Signor Luciano Lama, Pierre Carniti and Giorgio Benvenuto, the leaders of the three big trade union confederations, will tomorrow head a big demonstration against terrorism, in Mestre. A meeting had already been called, and will now take on added significance. The unions have also called for a national half-hour work stoppage in protest at the killing. In the Montedison works, unionists and shop stewards called on the management to express their sympathy.

Signor Tallorico, married with five children, had been a prisoner of the terrorists since a group dressed in uniforms of the Guardia di Finanza, tax police, rang the bell at his flat on May 20. He rose from eating lunch to speak with them, whereupon they pulled out pistols and bound the family before forcing him to go with them.

The Venice column of the Red Brigades has a long history of violence since first being heard of in 1974. In January, 1980, the deputy manager of the Montedison works was murdered, as was a senior official of the police in the centre of Mestre in May last year.

The murder will underline the commitment of the new Government to fight terrorism, in the programme which Signor Giovanni Spadolini, the Prime Minister, is to read to the Senate tomorrow.



Lord Carrington, right, with Mr Gromyko before their talks in Moscow yesterday.

## Italians angry with Carrington

From Michael Hornsby, Brussels, July 6

The decision by Lord Carrington, the Foreign Secretary, to invite his French and West German colleagues to a private meeting in London yesterday before his departure for Moscow has been bitterly denounced in Rome as "an astonishingly negative start" to Britain's six-month presidency of the Community.

The Italian Government hopes that the replacement of a system of axes by a system of directorates—a reference to the fear often expressed by the EEC's smaller states that the Community is developing a dominating "inner club" of big countries.

Officials at the Foreign Office in London were unrepentant today about Lord Carrington's weekend invitation to Mr Hans-Dietrich Genscher and Mr Claude Cheysson. "It is obviously absurd to say that Lord Carrington cannot have meetings with smaller numbers of ministers than 10 if the occasion warrants it," one said.

British sources conceded that on Afghanistan Lord Carrington spoke for the EEC alone, but argued that on other matters he raised with Mr Andrei Gromyko, the Soviet Foreign Minister, such as Poland and the Middle East, he was speaking not only as the EEC president but also as the British Foreign Secretary, and was entitled to consult whom he wished beforehand.

The implication, and this is undoubtedly what ruffles in Rome, is that on the main issues of East-West relations London considers the views of West Germany and France to be more important than those of Italy and the EEC's smaller states.

□ Making amends: Lord Carrington called on Signor Giulio Andreotti, the Italian Prime Minister, on his way back to London (David Spangler, Diplomatic Correspondent, writes).

The Italian accusation that the British were trying to run a "dictatorate" of the big powers in the European Community while strenuously denying in London, evidently touched a sensitive spot. The result was that Lord Carrington has done his best to make amends by reporting on his Moscow talks in Rome before making his formal report to the European Council of Ministers.

His speech at the European Parliament in Strasbourg tomorrow will give him an opportunity to review the Afghanistan initiative in the context of European foreign policy generally.

The Ten of the Community's Afghanistan initiative and any other matters likely to be raised by Lord Carrington in Moscow.

The statement goes on: "The Italian Government hopes that the replacement of a system of axes by a system of directorates—a reference to the fear often expressed by the EEC's smaller states that the Community is developing a dominating 'inner club' of big countries.

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## Dr Kaunda to visit Zimbabwe

From Stephen Taylor, Salisbury, July 6

President Kenneth Kaunda of Zambia arrives here tomorrow for a state visit.

He played a leading role in the region during the Rhodesian conflict, committing himself to the establishment of majority rule and providing support and sanctuary for nationalists.

Zambia suffered severely as a result of sanctions on Rhodesia and during the guerrilla war was raided several times by Rhodesian forces in reprisal for nationalist activities.

This four-day state visit is to accord President Kaunda the tribute for these contributions. One of Salisbury's main roads is to be renamed in his honour.

The capital's two principal roads have already been renamed after President Machel of Mozambique and President Nyerere of Tanzania who have also paid state visits to Zimbabwe.

If relations between President Kaunda and his Zimbabwean hosts are not as warm as it appears, the reason is that the Zambian leader became closely associated in the final years of the guerrilla war with the cause of Mr Joshua Nkomo, a political rival of Mr Robert Mugabe, the Prime Minister.

Although Zambia provided headquarters for Mr Mugabe's Zimbabwe African National Union (Zanu), as well as Mr Nkomo's Party, then known as the Zimbabwe African People's Union, Zanu moved its base to Mozambique in 1975 from where it intensified the war.

The ruling party's fraternal relations with Mozambique date from that period.

Some observers have felt that Zambia's role in the independence struggle could have been recognized with an earlier invitation to President Kaunda.

## Syrians refuse to discuss Soviet naval manoeuvres

From Robert Fisk, Beirut, July 6

Syrian officials again refused to comment today on Soviet naval manoeuvres off the Syrian coast, but their occasional angry replies to journalists' questions tended to confirm that the exercises were indeed taking place.

"We are in a state of war," one official said in Damascus. "You cannot expect us to reveal military secrets." Syria has regarded itself as in a state of war with Israel since 1973.

Meanwhile, the Arabic service of Israeli radio, whose broadcasts are widely listened to in Lebanon and Syria, reported this afternoon that large quantities of Soviet-made arms were being flown into Syrian airfields, some of the aircraft apparently coming from Libya.

The exercises appear to be taking place far away from the civilian areas of the coast. A European airline hostess who

flew over the Syrian port of Latakia this morning said that she saw several ships in the coast, but no evidence of naval vessels off the coast.

The most likely location of the manoeuvres, which are believed to involve Soviet landing craft and assault ships, is on the stretch of shore line between Tartus and Banias, south of Latakia.

One West European diplomatic source in Beirut said tonight that the Soviet-Syrian manoeuvres had yet to start in earnest but he did say that Soviet infantry had been put on board the naval craft last month.

He said that the Russians put their soldiers on board at daylight rather than at night, presumably because they wanted the Israelis and the Americans to be aware of the exercises.

Signor Tallorico, married with five children, had been a prisoner of the terrorists since a group dressed in uniforms of the Guardia di Finanza, tax police, rang the bell at his flat on May 20. He rose from eating lunch to speak with them, whereupon they pulled out pistols and bound the family before forcing him to go with them.

The Venice column of the Red Brigades has a long history of violence since first being heard of in 1974. In January, 1980, the deputy manager of the Montedison works was murdered, as was a senior official of the police in the centre of Mestre in May last year.

The murder will underline the commitment of the new Government to fight terrorism, in the programme which Signor Giovanni Spadolini, the Prime Minister, is to read to the Senate tomorrow.

## Gromyko trip leaves Poles calm

Warsaw, July 6.—Polish officials declared themselves satisfied today with the outcome of the visit by Mr Andrei Gromyko, the Soviet foreign minister, seeing it as Moscow's acceptance of next week's emergency Communist Party congress which is likely to legitimize most of the democratic changes of the past year.

Official sources said Mr Gromyko's talks with Polish leaders had emphasized the common ground between the two countries and parties, and played down their differences.

The final communiqué concentrated on foreign policy, where the Poles have no quarrel with Moscow, and scarcely mentioned internal developments in Poland which have seriously worried the Kremlin.

The sources said the Gromyko visit was regarded as a sign of Moscow's grudging acceptance of the changes in Poland, and so long as the Americans declared that they did not intend to station any missiles of their own.

## Bonn wary on Brezhnev missile freeze proposal

From Patricia Clough, Bonn, July 6

The West German Government was reserved today about Mr Brezhnev's proposal to freeze the number of medium-range nuclear missiles.

Herr Kurt Becker, the government spokesman, said there were perceptible differences between Mr Brezhnev's proposal and the latest suggestion would have been more useful had it been made earlier.

Mr Brezhnev told Herr Brandt that Moscow was prepared to halt the stationing of its three-headed SS20s when negotiations with the United States on missile reduction began and so long as the Americans declared that they did not intend to station any missiles of their own.

Six months ago he demanded that the United States stop production of its new Pershing 2 and cruise missiles. West Germany and the rest of NATO rejected this proposal, since it would have perpetuated the imbalance in Moscow's favour.

Herr Brandt today briefed Herr Hans-Dietrich Genscher, the Foreign Minister, on his Moscow trip and, tomorrow, five days after his return, will see Herr Helmut Schmidt the Chancellor.

He has also written to Mr Alexander Haig, the American Secretary of State, and a close colleague, Herr Horst Ehmke, has gone to Washington to put the Americans in the picture.

The Chancellor's noticeable lack of haste in accepting Herr Brandt's talks—although he has spoken to him by telephone—underlines a certain coolness towards the visit.

Herr Schmidt has not been over-enthusiastic about the trip.

## SIBERIAN SEVEN FIND SUPPORT

Mr Danny Smith, organizing secretary of the campaign to free the seven Siberian Pentecostals who this month began their fourth year in the United States Embassy in Moscow, said yesterday that the campaign was exploring ways of involving Britain in the role of mediator or negotiator.

"We have had letters from the Foreign Office supporting the campaign," he said. Forty MPs had signed an early day motion. The seven want to go to the United States.

## Nationality challenge in Strasbourg

From David Wood, Strasbourg, July 6

The legal affairs committee of the European Parliament has criticized the British Nationality Bill, which will be discussed in the House of Lords today.

No new definition of British nationality is offered in the Government's Bill for the purposes of Community law, the committee says. Consequently there is conflict with the treaty provisions for freedom of movement by citizens. A clear definition of citizenship by the British Government is demanded.

It is also argued in the report that the Bill could create statelessness for some people. Under clause one of the Bill a person born in the United Kingdom to parents from another member state would no longer be entitled to British nationality unless they were settled there.

Under clause two a child born to British parents in a Community country other than the United Kingdom would no longer be able automatically to inherit British nationality.

The report says it is highly desirable that British nationality law in Europe. It is expected the report will be debated in Strasbourg on Thursday.



Marc Chagall is 94.

Marc Chagall, the Russian-born French artist, photographed at the Chagall by his wife in Nice where an exhibition of his latest paintings has opened. Today is his ninety-fourth birthday. He has lived in France since 1922 and was decorated with the Grand Cross of the Legion of Honour in 1977.

## SKID ROW SLASHER KILLS TWO

From Michael Lezeman, New York, July 6

Six tramps were knifed here last night by a man believed by the police to have been responsible for similar but non-fatal attacks on nine vagrants last week. This time two of the victims died of their wounds.

The press has dubbed the attacker the Skid Row Slasher. He strikes near the Bowery and other areas of Manhattan known to be the haunts of tramps, who sleep on benches or in parks and beg money for drinks. He approaches them quickly and slashes them in the neck.

Descriptions of the attacker leave little doubt that it is the same person who struck last week. Police were questioning a man today.

Last night the attacker began on the lower East Side, which has most tramps. The first man fought back and received a cut in the hand. Another had his throat cut but escaped into an underground station.

Port strike: Dockworkers in the Solidarity union have announced a one-hour warning strike in all Polish ports and port-related enterprises for Wednesday, the Polish radio reported. The broadcast did not outline the workers' demands.—AP and Reuter.

The scheme, involving between DM20,000 (£4,255m) and DM30,000m, is designed to supply Western Europe with 40,000m cubic metres of natural gas a year from the middle of the decade.

The sources said the interest

## Rioting flock forces Greek bishop to flee

From Mario Modiano, Athens, July 6

Demonstrators on the island of Cephalonia ransacked the local bishopric during a week of rioting, and forced Metropolitan Prokopios to flee to Athens because they believe he has traded away hunks of the 400-year-old relic of St Gerasimos, the island's revered patron.

Prokopios has been exonerated from all charges by a synodical tribunal, but a large section of his flock on the island remain unconvinced.

Trouble began when a chapel in St Gerasimos's birthplace, near Corinth, claimed to possess pieces of the holy relic, until then believed to have been preserved intact in a monastery bearing his name in Cephalonia where he lived and died.

In 1979, a group of forensic experts examined the relic at the request of the local prosecutor and claimed to have found pieces missing from the relic and legs of the saint.

Generous donations by worshippers made possession of the relic a source of substantial revenue for any shrine.

As tension mounted on the island Bishop Prokopios was recalled from his see, pending a verdict. When he was acquitted he made several abortive attempts to return to his diocese, but met with continuing hostility and was forced to stay away.

Last week he called on Mr Dimitrios Davakis, the Minister of Public Order, to inform him that he proposed to return to ask for police protection. The minister stated today that he had tried to dissuade the prelate because reports from the island's authorities had forecast trouble if he returned.

The bishop had agreed to desist, but the next day he flew to Cephalonia in a chartered aircraft escorted by two other bishops.

News of the metropolitan's arrival triggered a spontaneous demonstration on Saturday night which turned into a riot when a delegation of MPs from all political parties failed to

induce him to leave the bishopric and go away.

A crowd of 6,000 demonstrators broke in and ransacked the building where the bishop was staying, while the police spirited the metropolitan off through a back door to an out-of-town hotel in Cephalonia.

Yesterday the local gendarmerie chiefs told the bishop that despite reinforcements brought in from Paris, they could not guarantee his safety from the hostile crowds that had massed outside the hotel and threatened to set it on fire unless the bishop left.

Metropolitan Prokopios returned to Athens by air after he said firmly: "I shall go back."

## Bolshoi claims a fabrication

Istanbul — Aleksei Yustin, leader of the Bolshoi Ballet group attending a festival here, described as "a fabrication the news that one of his corps de ballet, Galina Chursina, had defected. Soviet-Turkish cultural relations would suffer if she was not returned.

The Turkish Foreign Ministry explained, however, that it had been decided to grant her transit facilities on her way to the United States. She had asked for asylum orally and in writing on July 6, a day before she left her group. Bolshoi representatives were refused permission to see her.

## Coalition crisis for Belgians

Brussels—Belgium's four-party coalition Government is heading for a crisis over how to tackle a soaring public sector deficit. Disagreement with the Socialists could force the Social Christians to seek new coalition partners, possibly the right-wing Liberals. "The atmosphere is bad at all levels," Mr Mark Eyskens, the Prime Minister said.

Disagreement between the social Christian and socialist parties, each split between its Flemish and French-speaking wings, has made agreement on a coherent economic policy seem impossible.

Spending cuts and tax increases look inevitable if an aimed-for cut in the overall deficit is to be achieved, political sources said.

## Killer downpour

Delhi—Torrential rain and floods have killed at least 69 people in northern India and disrupted oil production in the northeastern state of Assam and the Army is standing by to help with relief work. Twenty-six people were killed in the town of Aligarh in northern Uttar Pradesh state where one and a half million people have been affected by the floods.

## Entebbe payment

New York—Air France has agreed to pay \$2m in compensation to the 67 Israelis held captive by PLO hijackers in Entebbe, Uganda, in July 1976, the *New York Times* said. The sum was the highest of several procedures in Athens had been inadequate.

## Death on spikes

Versailles—David Haubenstock, the 14-year-old son of Roman Schindler, the actress, was killed when he accidentally impaled himself on iron spikes while climbing a fence surrounding his grandmother's home in St Germain-en-Laye, west of Paris.

## Pilot in Pakistan

Islamabad—The Pakistani authorities have taken custody of a captured Soviet pilot who was brought across the Afghan border by guerrillas, a reliable Afghan source said.

## Crown Prince dies

Rio de Janeiro—The Crown Prince of Brazil's royal family, Pedro Henrique de Orleans e Braganca, has died near here. He was 71.

## Cholera in Jordan

Bahrain—Three persons have died of cholera in Jordan and the Government has ordered a vaccination programme, the Gulf news agency reported.

## Sadat for London

President Anwar Sadat of Egypt will pay an official visit to London in August at the invitation of Mrs Thatcher.

## Russians will visit West Germany to speed Siberian gas project

Bonn, July 6.—A Soviet delegation will visit West Germany this week for talks to speed up a project to bring Siberian natural gas to Western Europe, industry sources said.

Soviet interest in the scheme appears to have intensified again after a lull that followed difficulties over the terms on which West German banks would lend money for the deal.

The agreement on the project will probably be ready for signing this year, possibly in conjunction with the visit President Brezhnev is to make to West Germany in late autumn, the sources said.

They said Soviet trade officials had been holding talks recently with some of the German companies seeking orders to supply the 3,000-mile pipeline.

The scheme, involving between DM20,000 (£4,255m) and DM30,000m, is designed to supply Western Europe with 40,000m cubic metres of natural gas a year from the middle of the decade.

The sources said the interest

rates West German banks wanted to finance part of the deal was no longer the main obstacle to progress.

The price that Ruhrgas AG, the German gas company, presented a greater difficulty.

United States opposition to the deal, on the grounds that it would make Western Europe dangerously dependent on Soviet energy supplies, was also a factor. Officials in Washington said last week that the Reagan Administration would insist that its European allies took steps to guard against the potential Soviet blackmail if the gas deal went ahead.

The scheme will make West Germany, the largest potential customer, dependent on the Soviet Union for about 30 per cent of its gas, compared to 17 per cent now.

The leader of one of the principal West German companies seeking participation in the project has warned Bonn about allowing the deal to become a political instrument.

Sources said the companies,

Mannesmann AG, Salzgitter AG and AEG-Telefunken, considered each as normal as trade with Western Europe and Soviet gas supplies as more dependable than supplies from most other possible sources.

An Economics Ministry spokesman said he was unaware of any Soviet delegation visiting West Germany this week for talks, but did not rule out such a visit. Negotiations were likely to be directly with the banks and industry, without involving the federal Government, he said.

The industry sources said fears that Moscow could turn off the pipeline like a tap were unfounded.

The system would include 41 compressor stations at points along the pipeline, and switching it off would be a long and difficult operation. Attempts suddenly to cut off Western Europe's gas supplies could cause irreparable damage to this large investment, something the Soviet authorities were hardly likely to want either.

Reuter.

## French to have 39-hour week

From Ian Murray, Paris, July 6

The French Employers' Federation (CNPF) today agreed in principle to reduce the working week from 40 to 39 hours and to grant an extra week of paid holiday a year. A formal agreement on this is due to be signed on July 17, when the employers' next meet the different national unions.

This concession by the CNPF has been welcomed with some caution by the unions as a step along the path to the 35-hour week, which they are claiming and for which they have the support of the Government.

Nevertheless, there is certain to be a considerable amount of tough negotiation ahead before the agreement can come into effect.

In return for a reduction in the working week the employers are looking for a greater flexibility in the way the 39 hours should be worked. The obvious concern of industry is that a shorter working week will make France less competitive and therefore different schemes are being

studied to ensure maximum productivity.

Some industries, for example, would like to see the extra hour off accumulated over a period to provide an extra day off periodically, rather than see the working day cut. Since each industry has its own special needs these negotiations will therefore be conducted on an industry level rather than nationally.

Also under discussion is industry level will be the legal limit on overtime, with some industries pressing for the right to call on workers for extra long periods during busy times.

Assuming the negotiations all succeed, France will go over to the 39-hour week from next year, which would be on target for the Government's stated intention of a 35-hour week by 1985.

It has been calculated that the 35-hour week would add an extra 12 per cent to the wages bill if pay levels remain the same as for a 40-hour week. The Government believes that the scheme could absorb nearly

a million unemployed and would boost productivity.

The CGT, the Communist trade union, has greeted the provisional agreement cautiously.

The union, which is the largest and best organized in France, holds a special meeting today to study the results of the recent election. The union, which called on its members to vote for President Mitterrand, has already shown that it is not entirely happy with the economic and social policies of the Socialist Government.

Unlike the Communist Party, the union is not bound by any agreement with the Socialists, and several of their leaders have started criticizing the new Government's policies. M André Saintoin, the secretary-general of the metal workers' section of the union, said yesterday that the latest price increases in gas, electricity and petrol had all but wiped out the advantages of the increased minimum basic wage.

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مكتبة الأمل



## Joker's four apologies fail to move Chinese

Peking, July 6.—Mr Robin Hogard, the British student whose practical joking has angered the Chinese authorities, said today he is leaving the country under threat of expulsion.

Six weeks ago Mr Hogard, a 24-year-old history student at the Fudan University in Shanghai, wrote political slogans on a blackboard in praise of China's disgraced Gang of Four.

"Long live the Gang of Four," "Long live the great socialist leader Mao Tse-tung," and "The blackboard is the blackboard of the Chinese people," were some of the slogans. He signed "The reactionary students of Fudan University."

Mr Hogard said that his punishment was a "storm in a teapot". He said he had apologized profusely in four written statements, each longer and more abject than the previous.

He said he was summoned on Saturday to the university's foreign affairs office and was ordered to leave China. "I was asked to leave and told if I did not do so I would be expelled. So I will leave on Wednesday."

Mr Hogard, who is from Whaley Bridge, Cheshire, is one of eight British students at Fudan, which has about 80 foreign students.

He said he was asked to write four apologies and self-criticisms, the final version of which had more than 500 Chinese characters. But it was not considered satisfactory.

"I explained it was a joke between myself and an English friend and that I do not believe the slogans. I wrote that I was very sorry if I offended the Chinese people. I realize the act of writing the slogans was unfriendly to the Chinese people and, although I wrote it as a joke, I realize it was not a joke," he said.

Foreign students, who asked not to be identified, said that another foreign student had written on the blackboard "Long live the Chinese people." That student, European, was not punished, they said.

On June 20 the university had a tea party for its foreign students, who were told by a university official: "Please do not meddle in China's internal politics," the students said.

The university term officially ended on June 30 and Mr Hogard said that he had expected to spend some time travelling in China.

It is believed that the British Embassy has conveyed China's official displeasure to Mr Hogard, but embassy officials said that the British Government could not compel Mr Hogard to leave the country. The embassy had made a representation to the Chinese Ministry of Education on Mr Hogard's behalf, the officials said. They said his action was a poor joke but the punishment was too severe.—AP.

## ELECTORAL APATHY IN TOKYO

From Peter Hazelhurst, Tokyo, July 6

A conservative coalition of neo-Buddhist and supporters of Japan's ruling Liberal Democratic Party was returned in Tokyo's Metropolitan Assembly today in an election which was marked by the political apathy of millions of voters.

To the surprise of all the main political parties, 54.3 per cent of the eight million registered voters turned out yesterday to elect representatives to the 1275-seat assembly.

The Liberal Democrats lost a little ground but there was no fundamental change in the composition of the assembly.

The Liberal Democratic and Komeito, the "clean government party", which is the political wing of the neo-Buddhist Soka Gakkai, were returned with a comfortable majority and the opposition close ranks to support Mr Shunichi Suzuki, the city's conservative governor.

The Liberal Democrats lost three of their 55 seats while the Komeito gained three and all of its 27 candidates were elected.

The Communist Party gained five seats and now have 11. The Japan Socialist Party took a mild beating and lost three of its 18 seats.

## £800m gives France a 160 mph train

By Michael Bailey, Transport Correspondent

When it comes to investing in railways, France seems to have fewer inhibitions than Britain. The French railways (SNCF) have just spent £800m on a high-speed electrified line from Paris to Lyons, a distance of 250 miles. Meanwhile, Britain dithers over £30m to electrify 50 miles of existing track between Ipswich and Norwich.

Already the new trains de grande vitesse (TGV) test trains slide at 160 mph through the Burgundian landscape like great orange snakes. The line opens for commercial service in September, and speeds may be raised later to 190 mph if energy and commercial factors justify this. That is well within the capacity of the TGV. One recently broke the world rail speed record at 236 mph.

I travelled to Le Creusot on last week and at 160 mph it was wonderfully smooth and quiet. There is little impression of speed. That comes when you arrive at the destination twice as quickly as before. The Paris-Lyon trip will be cut by nearly four hours to two; Marseilles from seven to five;

## Iran firing squads busy as gunmen murder governor

Tehran, July 6.—The Iranian revolutionary authorities executed 27 people overnight, all of them supporters of left-wing groups, according to the state radio. The broadcast also reported that two gunmen killed the Governor-General of the Caspian coast province of Gilan and seriously wounded his deputy today.

Mr Behzad Nabavi, a senior government spokesman, said further violence was expected over the next few weeks because counter-revolutionaries would try to disrupt the presidential elections, scheduled for July 20.

Twenty-three of the overnight executions took place in Evran prison, Tehran; three were in Sari, near the Caspian coast; and one was in the north-western city of Tabriz.

They formed one of the biggest single batches of executions since the revolutionary authorities began purging the opposition before firing squads.

The latest crackdown began after supporters of the late President Mohammad Reza Pahlavi (People's Crusader), angered by moves to oust the then President Bani-Sadr, clashed with government supporters in Tehran and other cities more than two weeks ago.

Since then several hundred left-wingers have been executed, and dozens have been arrested.

Mr Fakhraddin Hejazi, a Tehran MP, called for further punishment of "the enemies of Islam" in a speech in the Majlis yesterday.

"Why do the revolutionary prosecutor-general not punish the enemies of Islam and those waging war against God? Why do we no longer hear shots from Evran prison aiming at the

hearts of those who have sprayed the hearts of the people with bullets?" he said.

Of the 23 people who were executed, 15 of them were arrested in Tehran during the clashes between pro- and anti-Bani-Sadr factions.

Thirteen more of the Bani-Sadr supporters, arrested at the same time, were jailed for life and 47 others got terms of between five and 15 years. One was acquitted for lack of evidence.

The Iranian news agency Pars said today that the recent arrests of Mujahedin members had uncovered "military plans such as a plan for destroying the Islamic Consultative Assembly (Parliament)".

The radio said the Governor-General of Gilan, Mr Ali Asgari, and his deputy were being driven to work today in the town of Rasht when two people on a motor cycle opened fire on their car.

Mr Asgari and his driver were killed, and the deputy governor was seriously wounded, the radio said. It was not known who carried out the attack. Rasht, about 100 miles from the Soviet border, is considered to be one of the main centres of leftist activity in Iran.

Mr Nabavi confirmed the death of the Gilan governor at today's press conference and said opponents of the government were likely to step up their activities to prevent the elections being held.

A man was stoned to death on the orders of a revolutionary court in Kerman, south-east Iran, yesterday after being convicted of incest, the daily newspaper Ettelaat said.—Reuter.

Inside Tehran, page 10

## Fire prevention improved

## Safety first as Las Vegas hotel prepares to reopen

From Ivor Davis, Las Vegas, July 6

The MGM Grand Hotel, devastated by a fire last November that killed 35 people and cost \$700 million, will reopen with a \$6m (£3m) computerized fire detection system to prevent another similar catastrophe.

Mr Bernard Rothkopf, the hotel's president, said that, in addition to the \$4m being spent to rebuild the 26-store hotel which is due to open on July 30.

Advertising hoardings throughout Las Vegas already announce that Dean Martin will star in the hotel's main auditorium when it starts taking guests again. There is no mention of the blaze but there is little doubt it will be on the minds of hotel executives.

Called one of the worst hotel fires in America, it began in the ceiling of a restaurant and spread to the first floor, where it was contained by fire-fighters. The fire spread to the first floor, where it was contained by fire-fighters. The fire spread to the first floor, where it was contained by fire-fighters.

Mr Rothkopf said that when the fire broke out the hotel was not in breach of any building or fire safety codes, but that the rebuilt hotel will have safety measures in excess of what the law requires.

MGM Hotel Corporation stock slumped after the fire but Mr Rothkopf said the hotel was not in breach of any building or fire safety codes, but that the rebuilt hotel will have safety measures in excess of what the law requires.

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Each room will have a ceiling speaker system so that the central control room relay messages to guests if necessary.

When guests register they will also be able to view a five-minute film, narrated by Gene Kelly, which advises them what to do in case of fire or emergency.

"People are conscious of fire," Mr Rothkopf concedes. "That's why we're spending all this money for equipment. By the time we open this will be one of the safest high-rise hotels in the world."

The fire also brought criticism about plastic fittings and furnishings that burned easily and gave off noxious fumes.

"A lot of that was exaggerated," Mr Rothkopf claimed. "There are plastic trims but the marble is real marble from Italy, the crystal chandeliers are from Austria, and our carpeting is from Britain."

Many of those who died were suffocated by smoke carried to their rooms. The hotel is building an elaborate system of fans that can quickly isolate and remove smoke in the event of fire.

Some guests also died on stairs trying to flee the smoke. They were trapped because, for security reasons, the doors were kept locked. The hotel is installing a system that will automatically unlock those doors so no escape route is blocked.

Other safety measures include wall alarms that can be manually triggered and stairwells that will be protected by a two-hour fire screen.

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## Stalemate on the forgotten front

From Henry Stanhope, Defence Correspondent

The Iraqi failure to persuade their Iranian foes to accept a Gulf War ceasefire during the fast of Ramadan was confirmed yesterday by reports of artillery exchanges along parts of the 300-mile battlefield.

An Iranian oil company official said in an interview with the Middle East Economic Survey that a decision would be taken within a month on the rebuilding of the Abadan oil refinery, its bombed and blazing furnaces providing an awe-inspiring backdrop to the first few weeks of the fighting last autumn.

As both sides make their daily claims and counter-claims, it becomes increasingly difficult to see any grounds for optimism over a speedy end to the conflict.

The war is now in its tenth month and for most of that time has been fought in a sterile exchange of fire along the disputed border. The map records the slight movement in military dispositions in recent weeks.

There has been a clash between the two sides for instance, to the north of Marivan where the old border runs. The Iraqis are thought to have a brigade-sized formation in the area, whose task is to stir up trouble among the Kurds. But the exchange here is considered to be only diversionary and to have little long-term effect upon the outcome of the war. There are reports of unrest among the Kurds—but that is not unusual.

In the Susangerud area, the site of fierce fighting last autumn as Iraqi troops tried to seize control of the western approaches to Ahwaz, the Iraqis seem to have won back

a stretch of territory after what looks like a lapse of Iraqi concentration.

Further south the Iraqis are now thought to have control of all parts of Khormanshahr, including the concrete bridge where Iranian sniping was still a lethal hazard until recently. On the other hand they have made little advance against Abadan itself. In one position the Iraqis seem to have been pushed back more than a mile after an Iranian counter-offensive which also saw the capture of 30 Iraqi tanks.

At one time it was considered possible that the Iraqi troops, frustrated in their pursuit of a swift victory in the war—which began last September—would spend the winter building up their divisions for a concentrated offensive on Abadan in the spring.

But the winter came and went without signs of such a build-up, and now spring has passed, leaving the Iraqi soldiers enduring the summer heat with little prospect of success. Western observers report more activity on the Iranian side where the period of relative quiet has been used to snipe from the supply by air and probably by river into the battered oil city.

Street defences in Abadan are said to be formidable, making it more difficult than in the past for Saddam Hussein in Baghdad to contemplate an early assault on the town without pouring more tanks and troops into the area.

With up to 10,000 Iraqis estimated to have been killed in the fighting and with evidence of a substantial flow of new supplies from Moscow, few now think the Iraqi leader is in a position to do very much



on the ground without incurring unacceptable risks. Instead President Saddam Hussein has resumed the tactic of bombing Iranian oil installations including the refinery at Ahwaz in western Iran, two pumping stations and the oil well. Western analysts believe he should have switched to this policy in the early stages of the war.

How long the war will continue must depend partly on the political events in Iran and partly upon the morale of Iraqi troops. Morale is itself difficult to measure given that western journalists are allowed little access to the battlefield. At present there is nothing to suggest that in just over two months' time the two old enemies will not be lamenting the first anniversary of their barren war.

## Chief given a blasting by Shagari

From Karan Thapar, Lagos, July 6

President Shehu Shagari of Nigeria said today that he regretted the letter he received last week from Chief Awolowo, the principal opposition leader.

Chief Awolowo's letter said in part: "It is generally agreed that Nigeria is seriously ill. The economy ails critically, and the body politic aches in every part of its organism. Everywhere there is hunger, depression, discontent."

If nothing was done immediately, the chief predicted that "the inescapable consequence will be an unspeakable disaster such as is rare in the annals of man."

The President's reply was convincing. Acknowledging the chief's letter, he pointed out that he had read it in the newspapers before actually receiving it. Not that this unorthodox style of communication was new to him.

Mr Shagari said he was surprised, however, that the chief's letter had been published in the newspapers before he had actually received it. Not that this unorthodox style of communication was new to him.

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## Washington meeting to discuss Spain's entry into Nato

From Richard Wigg, Madrid, July 6

Señor José Pedro Pérez Llorca, the Spanish Foreign Minister, left today for Washington for discussions with Mr Alexander Haig, the United States Secretary of State, on the Government's plans to join Nato and the two countries' treaty of friendship which expires in September.

For several weeks Spanish and American diplomats have been negotiating the 1976 treaty, which provided the United States with bases in Spain, the most important being at Rota, near Cadiz. So far things do not appear to have progressed greatly, hence the need of a top level political review.

Today Americans have tabled a draft on the future status of their personnel and Spanish experts have outlined what Madrid wants by way of defence material and economic cooperation.

A decision is now required on whether the time available will permit a full renegotiation of the treaty, taking account of Spain's improved international status as a democracy, or whether, as the Spaniards prefer, some kind of bridging agreement be made for a year or more until Señor Calvo Sotelo's Government has perhaps accomplished its aim of making Spain the sixteenth member of Nato.

The Foreign Minister has just returned from a visit to Genoa, where he met the Italian Foreign Minister, before Señor Pérez Llorca left today.

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## Tide turns against oil polluters

From Alan McGregor, Geneva, July 6

The turning point had been reached in the war against oil pollution, the Secretary-General of the International Maritime Organization (IMO), said here.

With the necessary minimum ratification—15 countries, representing 50 per cent of world tonnage—the marine pollution convention now imminent, tankers faced the prospect of much tighter supervision.

Mr Srivastava, who addressed the United Nations Economic and Social Council, said mandatory port inspection, which had been agreed, had been discharged oil-polluted ballast on the high seas before arriving at a loading port.

For older vessels not fitted with a load-on-top system (for separating crude oil from ballast) in instalment into which oily ballast is discharged.

Mr Srivastava cited the example of Turkey, which had invested \$5m (£2.63m) in such installations and had recovered 25,000 tons of oil in 18 months, to



1. *Journal of the American Medical Association*, 1997; 278: 1039-1044.

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## Racing

## Light Cavalry should lead a victory charge for old guard

By Michael Phillips

Racing Correspondent

The three-day July meeting which begins at Newmarket today is a fortuitous one for the most enjoyable of the year and the summer's should be no exception. One of the reasons why July is such a special month in the racing calendar is because of the number of opportunities it affords for the three-year-olds taking on their elders. Until now the three-year-olds have mainly been busy sorting themselves out in the trials of one description or another and of course in the classics themselves.

But with those out of the way now comes the time for fresh horizons to be opened. And the Princess of Wales's Stakes is a prime case in point. Heading the field of eight is Light Cavalry, the winner of the Leger, who won the trial at the bottom we find Scintillating Air, who finished third in this year's Derby.

Sandwiched between them are Castle Keep, who never stopped improving last season; Royal Fountain and World Leader, two other good four-year-olds; Son Pils, the old man of the party, who finished second in this race 12 months ago; the Blue Riband Trial Stakes winner Centurus; and Captain, who was reputed to be the best of the three-year-olds until a virus threw things at West Isley into confusion in May.

Having won a group one race, Light Cavalry is expected to be a hit. It makes the race that much more open and poses the question can he give 12lb to such useful contemporaries as Castle Keep and Royal Fountain and much more than that, in the weight-for-age scale to his younger opponents.

It is hard to believe that the meeting on 7th week terms this afternoon. That difference should help to even things up. Yet it suggests that Royal Fountain will be an even greater threat to his selection now that good ground is assured. In the previous race he was much the same sort of horse as Prince Bee and Hello Gorgeous, who would both be faced to tackle Light Cavalry at these weights.

With the future in mind it will be interesting to see how Scintillating Air fares in the Leger, the Derby he finished 12th behind Sherard and two behind Clint of Gold, who experienced ill luck in the trial.

For Light Cavalry's trainer, Henry Cecil, today should mark the beginning of yet another successful meeting, as he leads under Dance (2.30) and Long Legend (4.40), are also expected to return home to Warren Place with the lion share of the prize money.

Young Canadian stallion, Dance in Time, who stands on the Plantation Stud on the outskirts of Newmarket, is the last of the grand-daughter of that fast

Silly, Abella, who won the Queen

Stakes at Royal Ascot in 1957.

With a pedigree like that it is not surprising that Light Cavalry looks like proving a filer. She certainly appeared so when she won her only race by six lengths at Yarmouth.

Today her main stumbling block would appear to be Quest, that lovely filly by The Minister, whose career began on such auspicious notes at Royal Ascot when she finished third in the Queen Mary Stakes.

The Plantation Stakes and the Chesterfield Stakes are other races for two-year-olds included in today's programme which look almost as fascinating. Lester Pig, the winner of the Leger, is a prime case in point. Heading the field of eight is Light Cavalry, the winner of the Leger, who won the trial at the bottom we find Scintillating Air, who finished third in this year's Derby.

Sandwiched between them are Castle Keep, who never stopped improving last season; Royal Fountain and World Leader, two other good four-year-olds; Son Pils, the old man of the party, who finished second in this race 12 months ago; the Blue Riband Trial Stakes winner Centurus; and Captain, who was reputed to be the best of the three-year-olds until a virus threw things at West Isley into confusion in May.

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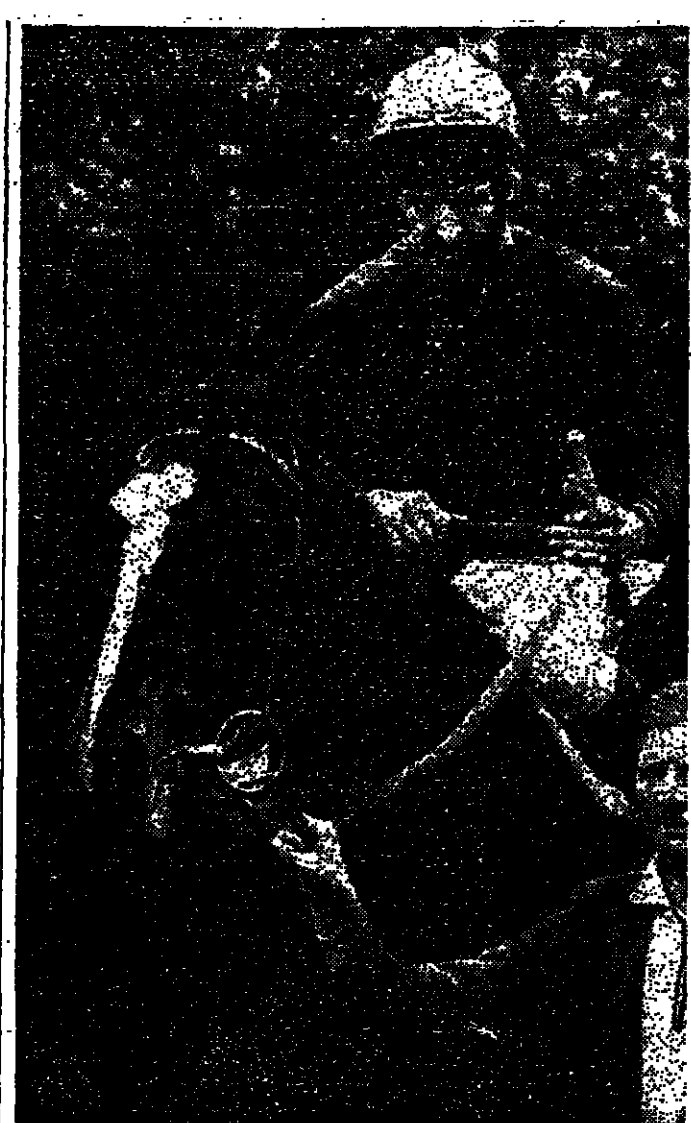
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Last year's St Leger winner, Light Cavalry, seeks his first win of the season in the Princess of Wales's Stakes.

## Sponsored day at Ascot may raise £100,000

By Michael Phillips

Racing Correspondent

In an attempt to raise £100,000 for the spinal unit at Stoke Mandeville Hospital in this year of the disabled, the horse racing industry is putting its full weight behind a sponsored show jumping day to be held at Ascot as a course next Sunday.

Play teams, each consisting of three people, will be competing, and each team is raising its own sponsorship. All aspects of racing will be represented and they will vary from the Jockey Club to the farriers; blackstock agents to stable lads; clerks of courses to sales and writers to punters. Many of racing's notable celebrities will be taking part and they will be joined by Prince Charles, who along with Little Owl's rider, Jim Wilson, will be in the team representing the amateurs.

Quite apart from backing an excellent cause it promises to be a splendid day's outing for the family. Jimmie Saville, who has already done so much for Stoke Mandeville Hospital, will be there recording his live outside broadcast for Radio 4 on the Red Dials.

A parachute team will be in action and there will also be a display by the British Driving Society. The Queen has given her permission for the same carriages which will be used at the Royal Wedding later this month to be exhibited and there will also be an exhibition and sale of contemporary artwork of art. A running barbecue, games and champagne bars, seafood bars and ordinary refreshment stalls will cater for the hungry and thirsty. Admission will be £1 for an adult and car parking will cost 50p. Gates will open at midday. Jumping will begin at 1.15 pm and the day will end at seven.

## Fingal's Cave plan

Fingal's Cave, who made such a promising reappearance when

raced last year, is expected to

return to the track in the

Princess of Wales's Stakes

at Ascot next Sunday.

The horse is owned by the

British Driving Society.

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## Part Two of The Return of the Ayatollah

A strange American plan to exploit the 'rescue' disaster — and still free the hostages

## With the students inside the embassy



Student revolutionaries scale the US Embassy gates in Tehran: Mohamed Heikal's verdict is that in the final analysis the Iranians lost more than they gained by taking the Embassy staff hostage (above)

In his book *The Return of the Ayatollah*, to be published by André Deutsch in November, Mohamed Heikal, the distinguished Egyptian writer and editor, gives a full account of the Islamic upsurge in Iran. The second extract begins in November 1979, when revolutionary students seized the American Embassy and held its occupants hostage. Shortly afterwards Heikal was phoned by a student leader and invited to visit the Embassy compound.

At first I thought the telephone call might be a hoax. A serving ambassador who spoke English had been attacked to me by the Iranian Foreign Ministry, and when I told him that I wanted to go to the American Embassy he looked at me as if he thought I was mad. However, I told him that we had better go and see; if it was a hoax no harm would be done. So we set off.

Outside the main gate of the Embassy there was a milling throng of people, and, as I was later to discover, they were there by night as well as by day. If the citizens of Tehran had nothing else to do they would go along to the American Embassy for entertainment and political participation.

There they would find speeches and exhortations directed at them from loudspeakers inside the Embassy walls, and other loud speakers bringing out martial music, while on the pavements outside there were people selling cassettes of Khomeini's sermons, groups studying the Koran and listening to Islamic teaching, some girls in black chadors offering pictures of Khomeini and books about Islam and revolutionary justice, while other girls in blue jeans sold the writings of Lenin and Trotsky and assorted Marxist pamphlets. This was the revolution in its most visible and characteristic form, and ironically it was all taking place in what had formerly been Franklin Roosevelt Street — now called Ayatollah Taleghani Street after the popular divine who died recently.

## Five-year siege stores-in the PX

After my companion had made his way through the crowd to the Embassy doors and announced us, four revolutionary guards and a girl with a machine-gun emerged. They gave me a boisterous welcome, embracing me — all revolutionaries together! In a rather touching demonstration of their administrative efficiency they presented me and my companion with badges bearing our names, which we had to pin on our jackets, as if we were entering an American defence establishment — not that there was much likelihood of us or our identities being lost. The badges had to be given up when we left.

I spent four hours inside the Embassy with the students — three hours in discussions and one hour in a conducted tour round the compound. To begin with they assured me that they had found the Embassy prepared to stand a five-year siege, and they took me to a building which was crammed with vast quantities of food — cornflakes, eggs, tins of tuna fish and sardines, cheeses, and so on. "Look at that!" they exclaimed triumphantly, flinging open the door.

"That's not preparation for a siege," I said, "that's a

PX." "What's a PX?" they asked. I explained that it was a sort of cooperative grocery store and that all big American institutions abroad, civil or military, had one. I think they felt rather deflated at having to give up the idea of the five-year siege.

It was abundantly clear to me that the students were obsessed with the idea that the Americans might be preparing to mount another counter-coup. Nor was this anxiety without foundation. It was not surprising that the Americans should have searched around for some means of undermining the authority of Khomeini, which seemed in those days to be daily consolidating itself. They were doing their best to build up Ayatollah Kazim Shariatmadari as a rival focus of influence, and were working among the minorities with whom they had in the past had many contacts — the Kurds, the Azerbaijanis, the Baluchis, the Arabs in Khuzistan.

These minorities had all had some part to play in the Revolution and were looking for their reward. They feared that if they did not extract some concessions from the central government now they might never get any, and the Americans were quite ready to work on their impatience. It was impossible to persuade the students or Khomeini that the Shah's journey to the States did not represent the opening of a new stage in the American counter-offensive of which their other activities inside Iran was a part.

I found the students very conscious that the struggle they had embarked upon was going to be a long and difficult one. They knew that their demand for the Shah and his money to be returned to Iran was unlikely to be met, so they were going to have to prepare themselves for a prolonged operation.

Those inside the Embassy had divided the work up among a number of committees. There was one committee responsible for catering for the food supplies of the hostages and of their guards. The Americans could of course be supplied with suitable food from their own "siege" supplies, supplemented by fresh fruit and vegetables from outside. The students were not keen to help themselves to the American food, however, fearing that it might contain pork.

This was a most extraordinary community — a closed society, in its way as isolated and inward looking as the hostages it had seized, a community fully conscious of the power it was exercising, proud to have the eyes of the world upon it. For years these young men and women had been living a precarious underground existence, many of them suffering at the hands of Savak, the Shah's secret police. Now anything they said or did was assured the attention of all the international micro-

phones and television cameras waiting expectantly outside the Embassy gates. It was an intoxicating change, and sometimes I got the impression that they were talking more to themselves than to anybody else, as if the could hardly believe the freedom of speech and action they had won.

Every member of this community seemed prepared to engage in endless discussions about the nature of Islamic society and Islamic government. They had respect for only one person — Khomeini. They were prepared to defy President Carter or anybody else. They cared nothing at all for the talk of international law, maintaining that the Revolution had created its own law and so could acknowledge no other authority than itself. I felt I was among people who were desperately sincere but woefully lacking in experience.

At my first meeting with the students, 70 to 80 were present to begin with, about 10 of them girls. Most of them were between the ages of about 19 and 25. Some of the men had beards, but not all. They were dressed in an incongruous mixture of clothes they had worn at home, and things they had picked up in the Embassy — jeans and combat jackets.

The girls gave the impression of being even more militant than the men — few of them almost frighteningly so. All of them wore Islamic dress, including chadors, but without the veil. (The wearing of the chador is not nearly as prevalent in revolutionary Iran as many people outside have been led to suppose; and when some days later I asked a colleague of mine, as a test, to check the number of girls in the Foreign Ministry who were wearing chadors he found that only two out of fifty were.)

After some time we were joined by other students coming direct from the university, so that by the end there must have been more than a hundred of them.

Our discussion was animated and wild. The main point to which they continually returned, was that Islam represented the only possible answer to the West. There was no hint that any of them had any use for communism. Profound as was their respect for Nasser, and of course for Mossadeq, they felt that these two had stressed nationalism more than Islam, and they argued that this had led them to dangerous compromises. And for the *marabbutun* — the elite among the students — compromise was a word full of the most sinister connotations.

I explained to them that I was an unrepentant believer in Arab nationalism. I pointed out that the two main ingredients which made the Arabs a nation were language and culture, so that if I talked about Arab history and Arab nationalism I was automatically talking about Islam. But they refused to accept this argument.

At times the discussion became quite heated. It made me very conscious of the difficulties which obliged Sanjabi, Bani-Sadr, and Yazdi to resign as Foreign Minister, and which made it so difficult for their successor, Qotbzadeh, to operate at all.

As Yazdi later explained to me, he found it impossible to talk to the students. They could afford to be idealists, he said; the Foreign Minister could not. It was a dilemma which had been inherent in the Revolution from the outset — the conflict between dogma and human nature, between re-

ligion and history, between the absolute and the relative.

## Obliterating 25 years

The last words I heard from the students were "We have obliterated 25 years from the history of Iran." They insisted that they had occupied the Embassy buildings because it was these that had been made the headquarters of the counter-revolution; it was in them that the arrest of Mossadeq and the assassination of Hussein Fatemi, the two leaders of the first stage of the Revolution, had been planned.

So now, after a quarter of a century, the forces of the Revolution had wiped out the shame of its first defeat.

At the beginning of 1980, Heikal was approached in London by "a well known politician", and was asked if he would meet the American Under Secretary of State, Harold Saunders, in an attempt to help the United States to resolve the hostages issue.

The next day the Under Secretary of State arrived unofficially in London, and we had a private meeting at the flat belonging to my friend, Harold Saunders, who asked if I was ready to help President Carter, to which I replied that I was ready to help the Iranians, for I felt it was they who stood to gain most from a satisfactory solution of the hostage problem.

It had become plain that the hostages were not only bedevilling Iran's relations with the outside world, but were also complicating the power struggle going on between rival factions inside Iran. It was by then generally assumed that one of the secular leaders would be

rewarded with the presidency, while the mullahs would be allowed to maintain control in the Majlis.

Foreign Minister Qotbzadeh was hoping that a group of French lawyers, working on behalf of the Iranian Government, would succeed in obtaining an order for the arrest of the Shah, who was then in Panama, and that this would enhance his chances of the presidency. But Qotbzadeh failed to realize that the only thing which counted was the backing of Khomeini, and this was to go to Bani-Sadr and not to him.

After Bani-Sadr had been duly elected at the end of January, the Americans thought he would be able to arrange for the release of the hostages — which only showed how little they understood the true position inside Iran. At the same time they tried to work through the United Nations, and the Security Council called on the services of the Secretary-General, Kurt Waldheim, who, with the prospect of a second term of office looming in 1982, was nothing less than a sort of volunteers were offering themselves as intermediaries, knowing that, thanks to the American media's obsessive interest in the hostages, this was the surest road to instant publicity.

The Americans were the more ready to clutch at any straw because they had no direct contact at all with the Iranians, and consequently reacted violently to every rumour coming out of the country. There was a moment, for example, before the UN mission arrived in Tehran, when the Americans were extremely agitated over reports that the students planned to kill all the hostages rather than hand them over to the mission, should this be

ordered by their Government.

I was able to confirm from friends in Tehran and Qom there was absolutely no foundation for this rumour, but it was depressing to find a super-power not simply badly informed but totally unable to understand the thinking of a people with whom they had been in the closest contact for 30 years or more.

I had a number of other meetings with Harold Saunders and with various Iranian officials, but broke them off after the disastrous Tapaz rescue attempt had effectively sabotaged all attempts at mediation. But the Americans did not give up, and not long afterwards I was again contacted by the same friend who had arranged the original meeting with Harold Saunders.

He had, he said, received a communication from Washington which seemed to him so strange that the only thing he could do was to hand it over to me. It turned out to be a directive, intended to be used by me in a new approach which it was hoped I would agree to make to the authorities in Tehran.

It was indeed a strange document, and as an illustration of how far removed from reality American thinking had moved I cannot do better than quote it verbatim.

The concept is to have Heikal go to Iran and present to Bani-Sadr a way to use rescue disaster to get the hostages released and the issue behind him. Heikal would persuade him of the unique opportunity this represents for him to ride the crest of Islamic nationalism to solidify his own position. To the extent Khomeini shares the desire to be rid of the problem the concept could be presented to him.

The themes Heikal can draw on are as follows: A. The success of Iran's revolution has been clearly and finally demonstrated with the humiliating defeat of the US Government's rescue mission. B. The American hostages have served the purpose Iran has wanted. They have served as a pretext to show the world the dramatic evils of the Shah's regime and the US Government's support for it, and America's inability to mount the rescue operation is the second and final attestation to the justice of their being taken. (For example, the Iranian act brought about an American reaction which only underscored in its failure the message which Iran originally wanted to get across.) The hostages just are not needed any longer.

C. The hostages will be released. Iran never intended them any harm anyway. The gesture demonstrates Islam's magnanimity and compassion. There was never any hatred for the American people, only the US Government. (Let the hostages go now and make the Americans look even more foolish and inept. Perhaps fly them out via Tapaz along with newspaper correspondents and news down their disparaging comments, etc.) Iran and Islamic Republic emerge as both victorious and morally superior.

D. The captors emerge victorious and are national heroes. They have not hurt anybody. They have honoured the dictates of the Imam. They will be rewarded amply by the Government, and recognized especially by the Imam. It may be the last time the captors

force can be gotten off the compound without somebody in Iran losing face in the process.

E. The release itself should be announced by Iran itself as being a dramatic act of democracy and mercy for the hostages, which was taken by Khomeini himself. The procedure for release affords Iran tremendous propaganda opportunity, cloaking the whole miserable five months in an aura of decency and mercy. Iran thus refurbishes the image of Islam, something all Moslems in the world would wish to happen. The US Government, as opposed to the American people, is again scored for its enmity towards just causes, and in no way represents lessening of Iran's battle with US Government or a compromise with it. End message.

I was to get other messages from Washington after that, but my information from Tehran was that all lines of communication with the Americans had become hopelessly mixed up. The Iranians had no idea who was supposed to be talking to whom, or which of the many signals they were receiving represented the real American attitude.

## More a loss than a gain

It was at this point that I and some others suggested that it would be more sensible to drop the idea of intermediaries. The Algerian role suggested itself as an alternative. Here was a country which already represented Iranian interests in America, which had a government that was both Islamic and revolutionary, and which was served in Washington by an extremely able ambassador, Abdel Karim Ghurair. It proved to be he who was able to set in motion the process of negotiation which was brought to a successful conclusion in January 1981.

I think it has to be admitted that in the final analysis the Iranians lost more over the hostages than they gained. True, they had, through the hostages, humiliated their arch-enemy, America, but they were not, as they liked to boast, the first to humble a super-power. The real defeat for the Americans was the fall of the Shah. There was no need to add to that, and the continued detention of the hostages was used by America to isolate Iran and to make its rulers look both ruthless and incompetent.

I can understand Khomeini's point of view. When I said to him that taking the hostages was contrary to international law, his answer was to ask what benefit international law had ever brought to Iran. Had it prevented the Shah from laying his hands on the country's wealth? Had it stopped the Americans from violently overthrowing a constitutional Iranian government and killing its leaders? I had to admit that it had not.

"Very well," said Khomeini. "We do not consider that international law has ever been respected when it applies to Iran, and we do not see why we should respect it now ourselves." However reasonable this argument might be, it was not one which was readily understood by the rest of the world, and as the dispute over the hostages dragged on it became less and less convincing. © 1981 Mohamed Heikal

## The Great Mosque: fanatics who failed

One of the most extraordinary incidents in recent Middle Eastern history, can be directly attributed to the influence of the Iranian Revolution. This was the attempt in December 1979 by a group of fanatics to take over the Great Mosque in Mecca.

A cardinal element in the belief of the Shi'is is, that the Imam will eventually return to fill the world with justice. But the idea of Mahdi, one guided by God, who will restore the faith and usher in a golden age, is a popular belief among Sunni Moslems also. The Mahdi whose followers conquered most of the Sudan in the 1880s is only one of many such leaders who have arisen throughout history.

A well-known saying attributed to the Prophet Mohammed declared that at the beginning of every century (calculated by the Hijra calendar) a messenger will appear, bearing his (the Prophet's) name, and will be recognized by the people in the Great Mosque at Mecca between the *Hajar* (the Black Stone) and the *Maqam Ibrahim*. 1979 saw the beginning of the fourteenth century according to the Hijra calendar, just as the emergence of the Sudanese Mahdi marked the beginning of the thirteenth.

As the new century approached there was a general atmosphere of expectancy among the pious. They recalled the Prophet's words and they were conscious of the resurgence of Islam, particularly in Iran; some, indeed, went so far as to identify Khomeini as the long-awaited Imam.

One of those strongly affected by this apocalyptic atmosphere was a Saudi Arabian called Jubair bin al-Munqidhi, a man of commanding presence, a Wahhabi fundamentalist of the strictest and most puritanical sort. Although he had never been in Egypt, Oteibi had had a small book called *The Real Islam* printed by one of the small

presses near el-Azhar. It attracted no attention. He had fallen out with the Saudi authorities and had been arrested, moved to Kuwait and deported.

Then he came across a young man called Abdullah Qahtani. Here indeed was someone bearing the name of the Prophet, for Mohammed's father's name was Abdullah and Qahtani was the legendary ancestor of the Arabs. Oteibi persuaded Qahtani of the great destiny awaiting him, and took him round the tribes to present the Mahdi to them. There can be no doubt that he was activated by purely religious motives; he had been wished to stage a coup he would have gone to Riyadh, not to Mecca. As it was, he collected about 400 people round him, armed tribesmen with a tradition of warfare and ready to die for the cause in which they now generally believed.

Oteibi, however, did not expect to die. He was convinced that when he showed Qahtani to the people in the Mosque they would recognize him for what he was and give him their acceptance (*bay'a*).

His preparations were made with military precision. Some months before the appointed day he began storing arms and supplies in the cellars beneath the Mosque. These *serdahs*, as they are called, provided an underground warren where he could work undetected. (In the old days, when travelling was much more difficult than it is today, many pilgrims stayed behind in Mecca after the *haj* ceremonies were over, either because they were too ill to move or because they had no money for the return journey. In the cellars they could find refuge, but in these days of affluence and air travel the refuge was no longer.)

When the day came, Oteibi and his followers entered the Mosque from their underground hideaway. He seized the microphone used by the preacher of the sermon and

harangued the congregation: "Your attention, O Moslems! Allahu Akbar! The Mahdi has appeared! He is here between the *Hajar* and the *Maqam*. Remember the words of the Prophet! Now is the time! This is the man! Bismillah ar-Rahman ar-Rahim!"

But his words fell on deaf ears. The people did not respond as Oteibi had thought they would. They watched in bewilderment, some leaving hurriedly, some staying out of curiosity, but there was no sign of a spontaneous move to give the people's *bay'a* to the Mahdi. Then the guards moved in, and the shooting started. Oteibi too was armed, and his followers knew what to do. They occupied the minarets, which gave them control over the entrances to the Mosque as well as its interior.

King Khaled and his government were taken completely by surprise and had no idea how to act. This was, after all, the holiest place in the whole Islamic world. What would be the reaction if they used tanks to break open the doors of the Mosque, which the insurgents had closed? For days both the army and the National Guard showed themselves quite incapable of bringing the situation under control.

What the Saudi authorities were trying to do was to find a way of listening to the insurgents, who had retreated to the *serdahs*, and so learn what they were planning to do. They found an underground path which led them close to the insurgents, but as soon as troops tried to force their way in by it they found themselves exposed to fire from the defenders.

So a team of commandos specially trained outside for this sort of operation had to be flown in. By surrounding the whole area occupied by the insurgents, and with the use of sensitive listening devices and gas, they were eventually able to kill or capture all of them — but not until fifteen days after the first attack.

Tomorrow  
The mind of the  
Ayatollah



## Bel Mooney

■ Last week justice caught up at last with more Nazi thugs, reminding us yet again that the old excuse of "obeying orders" does not excuse a single human being from responsibility for his or her own actions — not at the Bastille, nor at Mi Lai, nor at Majdanek. Apart from provoking the thought that it might be a good idea to make the wearing of the swastika —

Of course, most men like to think of women as gentle, intuitive, swayed by pleasant emo-

It is a myth that women bolster A few weeks ago I did a television interview with a representative of the 300 Group, which aims to get more women into Parliament, and instil more women with the confidence to think that one day they might try. One thing the admirable women said has been bothering me ever since: that if more women become MPs, the

But this vision of gentle people passing gentle laws, and never shouting each other down, and feeling (for women: feel these things) pity for the poor and compassion for the single mother, and indignation on behalf of the oppressed in the Third World (show a woman a picture of

women are not supposed to behave like that. But people are not supposed to behave like that and the most ardent feminists cannot suppose that had the SA and SA been run by women the Nazi atrocities would not have taken place.

The worst abuse committed by feminists pour upon the Prime Minister is that she is the living

So, if, as I am saying, the only thing that matters in politics is what a person is like, not what sex, why do I still thump my tin and say that more women should whiney instead of bleat and get themselves into positions of power? It is not because I think

the people, to show other women that their equality is as unquestionable as their numbers. But we do not need myths, nor special pleading. If you accept that women are as capable as men in building a heaven, you must not be surprised if we also demonstrate ruthlessness, corruption and cunning.

**SALE**  
6th JULY — 18th JULY







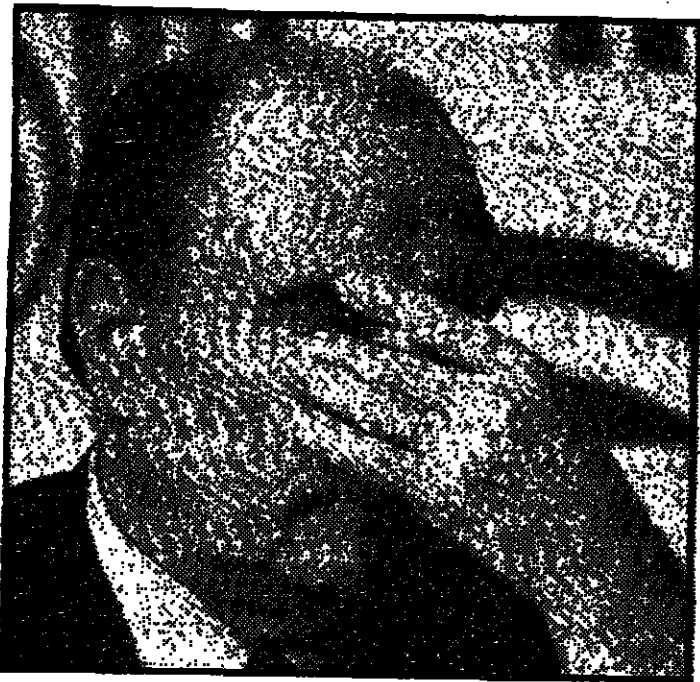
# Le Monde LA STAMPA THE TIMES DIE WELT Europa

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Inflation not unemployment the  
issue of 1980s?

## Mitterrand at the summit



The most important thing about President François Mitterrand, the other six heads of governments present at this month's world economic summit in Ottawa, will be that he is there at all. The election of the first Socialist President of France for nearly 30 years is certain to raise one fundamental question in the minds of all the other participants at the meeting: "Are we right that inflation, not unemployment, is the issue of the 1980s?"

That is the question posed by the defeat of President Giscard d'Estaing in the presidential elections and reinforced by the sweeping Socialist victory in the French Parliament. Throughout the last decade, leaders of the Western world have edged painfully to general agreement on what was wrong with the world economy and what needed to be done to put it right.

Ever since the oil shock of 1973, there has been common assent that inflation had to be put top of the list of priorities throughout the Western world. It was regarded as the most important issue and agreed that it must be dealt with first. Only after price stability had been restored could jobs be expected to come back.

There was not merely agreement about the targets of government policy. There was also acceptance of the means which had to be adopted, most strikingly of the need for money supply and reduction of government deficits. The monetarist counter-revolution swept across all big industrial countries and, more surprisingly, across most of the main democratic parties.

The Labour Government of Mr James Callaghan adopted monetary targets, cut public spending and warned people with as much fervour as any conservative could have displayed that they could not spend their way out of recession.

What gave this policy its power was that it was not merely an abstract economic proposition. Election after election seemed to show that it reflected the preoccupations of ordinary people. Control of inflation was the most common theme of the 1974 and 1975 left may leaders deeply surprised by how little political impact rising unemployment seemed to have. By the end of the decade, it had become a cliché of political life that only the unemployed care about unemployment; the rest of the population worry about rising prices.

That cliché seems very fragile now. Although in France there were deep-seated pressures for change, there seems little doubt that dissatisfaction with the country's economic record was one of the contributory factors leading to President Giscard's defeat. Yet the economic policy of M Raymond Barre, the defeated Premier, was drawn straight from the pages of monetarism after communiqué of the world's economic summit, from Rambouillet to Venice. If that policy could fail electorally in France, might it

not also falter in Britain or Italy, or even Germany?

There is no reason to think that Mitterrand will be too shy to point out the lesson of his election to his partners. There are already signs that the fragile unity of international economic diplomacy is starting to crack. At last month's meeting in Paris of the Organisation for Economic Co-operation and Development, the French Government launched a tough attack on the United States for its high interest rates.

American interest rates have become the touchstone for dividing the expansionists from the tight money advocates in the world today. Those who favour a generally tough stance say that it is in everyone's interest that the Americans get their inflationary house in order. Those who are in favour of more expansionary policies say that the Americans are straining all the other economies in the world as well as their own by their willingness to push interest rates to unheard of levels. The Mitterrand election makes it even more likely that the interest rate war will loom large in Ottawa.

It seems equally certain that the French Government will push even harder than its predecessor for the West to likely be the most serious line in the world as well as their own by their willingness to push interest rates to unheard of levels. The Mitterrand election makes it even more likely that the interest rate war will loom large in Ottawa.

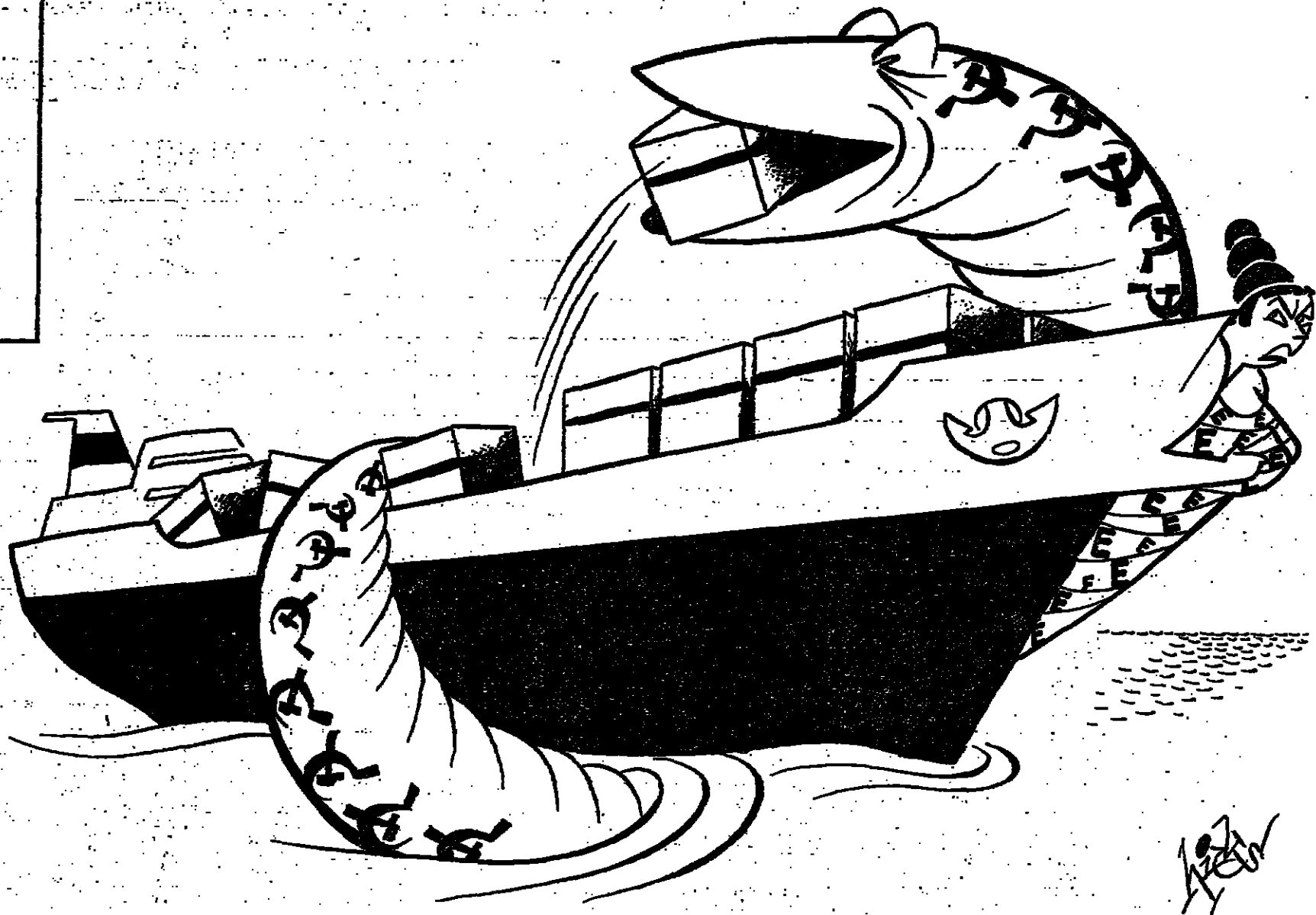
This is unlikely to mean that the West as a whole will swing round to the sort of policy that the developing countries would like. But it does mean that any final communiqué agreed at Ottawa is going to be more positive in tone than the one that countries such as the United Kingdom would like to see. The short-term effect of the switch in the French leadership is likely to be the introduction into the summit communiqué of even greater blandness than usual. Every phrase that contains a warning of the dangers of inflation will have to be matched by another phrase stressing the need to reduce unemployment.

In the longer term, however, the presence of someone who questions the dominance of money supply and pump-priming ought to have a good effect on what has recently seemed to be an increasingly moribund institution. One of the most striking features of previous summit meetings was the extent to which they were not used for serious discussions about whether traditional demand management and pump-priming techniques could help us in our present dilemma. The presence of Mitterrand means that those questions have been put firmly back on the agenda.

David Blake  
Economics Editor

### The Times and Europa

This is the last issue of Europa which will appear with *The Times*. Increased costs and inadequate revenue have forced us to suspend publication. This decision has been taken with very great regret, and we would like to thank our readers for their interest over the past seven and a half years.



The Ottawa summit this month provides the Western nations with an opportunity to discuss not only their own economic affairs but also the positions they will adopt on talks later in the year with the Soviet Union.

Transport in all its forms is one such topic and deserves further study in the context of East-West relations. Below and on page 3 some of the more important elements are examined.

## How Russia is grabbing the shipping lanes

Yesterday, the fifth round of German-Soviet shipping talks began in Hamburg. Until July 9 the experts will — yet again — be trying to find ways of achieving a fairer distribution of cargo between Western and Eastern block shipping companies. The Association of German Shipowners (Verband Deutscher Reederei — VDR) continues to hold the view that Western liner traffic is threatened by Soviet state undertakings. The situation of German shipowners is valid for the whole of the EEC.

Since 1978 the West German Government has been trying to ensure first that German shipowners obtain a fair share of bilateral traffic, and second to prevent the German fleet being squeezed out of routes between foreign ports (so-called "cross trade"). In June 1981 the VDR said the situation was particularly critical on three routes: the Caribbean to Europe, Europe to East Africa and the Far East to Northern Europe.

On the Caribbean-continental Europe route the Russian-Baltic Line and the Russo-Finnish Scan-Pac Line are making use of their spare capacities on the return voyage from Cuba. According to VDR estimates, the two lines were already carrying some 32 per cent of all cargo from the West Indies to Europe — mainly coffee and cotton — in 1979 and 1980.

In the case of coffee, these lines were undertaking conference rates by as much as 30 per cent. A "conference" in this connexion is a regional association of independent ship-

owners observing agreed tariff freight rates and having standard shipping contracts, sailing frequencies, ports of call and shares of business.

In the Central American region as a whole the Soviet state shipping organisations have managed to secure a 12.4 per cent share of the market in only four years.

On the East African route the Russian market share has reached almost 9 per cent. Last year alone the Soviet Bessra Line carried 500,000 tonnes to this destination. On sailings from European ports freight reductions of up to 40 per cent are being offered, although, as the VDR in Hamburg emphasises, "There is no such thing as the reductions are based on economic criteria, such as improved productivity". Particularly hard hit is the German Africa Line (Deutsche Afrika Linie — DAL). At Hamburg, three years ago four of the six sailings each week were by DAL vessels; now the number is down to one.

It is particularly striking that West Germany is the source of most of the cargo for this region, whereas, apart from armaments, the Russians do not supply a single tonne.

Another area where the situation is critical is the Far East to Northern Europe route. Here the Far Eastern Freight Conference (FEFC) is in competition with another outside shipping concern, the Bal-Orient. The latter has been able to capture about 45 per cent of conference tonnage.

An important additional factor affecting this trade is the further competition to shipping provided by the Trans-Siberian Railway.

The only route on which there is no competition from Soviet ships at present is the North Atlantic, from which the Russians have had to withdraw for political reasons (their vessels are boycotted in United States ports).

Meanwhile the Soviet merchant fleet is being rapidly improved and expanded. It has grown far faster than the country's foreign trade. While 10 years ago the ships sporting the hammer and sickle on their funnels numbered only 2,181, with a gross tonnage of 9,800,000 (about the same as the German merchant fleet), by the end of June 1981 the number was in excess of 8,200 vessels, with a total gross tonnage of almost 35 million. (For comparison, West Germany at that date had 1,438 ships totalling 7,212,000 tonnes gross and the EEC as a whole had 5,000 ships totalling 112 million tonnes gross.)

By 1985 a further 150 vessels, mainly tankers, roll-on/roll-off carriers, lighters, and bulk carriers (for ore, coal and grain) are expected to be commissioned by the Russians. These figures do not include the other Comecon countries' fleets, which in 1980 amounted to about 3,800 vessels in all.

The major part of the bulk-carrying capacity planned by the Soviet Union will probably be used for the country's

growing exports of bauxite and coal, and possibly also for continued grain imports.

The planned expansion of their tanker fleet seems to indicate that the Russians intend to play a greater part than hitherto in the world's oil trade. The building of natural gas tankers, scheduled to become operational from 1985 onwards, shows an intention to participate in this trade as well.

The roll-on/roll-off ships are being equipped with ramps capable of carrying military as well as civilian vehicles. Lighters are being used where large port installations are lacking — that is, in the developing countries.

It is expected that by 1985 roll-on/roll-off capacity will account for 5 per cent of total tonnage, lighters 2 per cent and container ships 8 per cent.

The Russians are now operating on about 70 important liner routes as outsiders in competition with existing shipping conferences. (Their entry into the India-Pakistan Conference in 1979 is the only exception so far.) By concentrating on the higher end of the freight market, they are effectively creaming off the best business, despite the dumping character of their operations. The loss of the more remunerative tariff group is forcing Western shipowners to adjust their other tariff groups accordingly or to reduce the frequency and/or quality of their services.

Herr Hans-Jakob Kruse, Hapag-Lloyd's chief executive, puts it this way: "By selective

undercutting of rates they cause the market to collapse on important Western overseas routes, thus impairing the profitability of the national merchant fleets". Once the Soviets have cut themselves a piece of the cargo cake, they try to hang on to it at all costs — if necessary by joining a conference, which then helps them to safeguard the share they have won.

To counter this development, the EEC transport ministers decided, as early as June 1978, to introduce a system of compulsory notification. From January 1979 until the end of 1982 the relevant ports are required to submit returns stating what shipping lines have carried what quantities on what terms. The notification requirement is at present in operation for sea routes to East Africa, Central America and (since July 1) the Far East.

If negotiations with the Russians are unsuccessful, the West German Government will consider "the possibility of introducing a compulsory licensing system for freight traffic" (in the words of Herr Christian Wolker, leader of the German negotiating team at the shipping talks). Herr Hans-Jakob Kruse, of Hapag-Lloyd, is clear on this point: "If the Russians are not to observe our rules when they operate in our markets, the state will have to intervene to protect German firms. That would be a necessary act of self-defence, if we are

not to have the right to trade in our own territory taken away from us."

There is a clear agreement about the aims behind the Soviet merchant fleet expansion. The Soviet Union expects the developing countries' role as raw material suppliers to grow. These materials have to be transported across the sea. Cross trade will earn vital foreign currency for the Russians.

The Soviet Union now has a presence almost all over the world and in nearly every port. The spokesman for the management board of the German shipping company, Hapag-Lloyd, says: "The Russians clearly see no contradiction in paying lip service to détente while at the same time stepping up their fleet-building with a view to dominating the world's oceans. After a short period — barely a hundred years — of relative freedom of the seas, we find ourselves threatened by a new wave of Cromwellian navigation acts and by piracy."

Only German and other EEC shipowners are interested at present in the United rules for a 40-40-20 division of cargoes (German shipping lines — partner country — third country). Such an arrangement would relieve but not radically improve the situation. So all hopes rest on the German-Soviet talks.

Pete Stevens

Lord Carrington talks to David Spanier on his plans

## Britain is not really a 'bad partner'

Apart from Lord Carrington's recent mission to Moscow over Afghanistan, what are his plans and priorities as he begins his term as President of the European Community Council of Ministers?

As the Community faces, in internal policy, major difficulties over the budget, and in external affairs, a deepening crisis in the Middle East, a heavy responsibility falls on the presidency. In this unusually frank account of his thinking, the Foreign Secretary begins by commenting on the new Anglo-German entente, which some press comment has claimed is replacing the Franco-German alliance as the axis of the EEC.

"Mrs Thatcher's meeting with Chancellor Schmidt at the Anglo-German summit was indeed very cordial. As the two main contributors to the Community budget, Britain and France have a good deal in common in their approach to the budget problem and we were able to identify a number of areas in which our interests coincided."

"But that is not a purely Anglo-German matter. The Community as a whole has pledged itself to finding a durable solution to 'unsustainable situations', and it is very important for the whole Community that a fair and lasting solution to this problem be found."

In particular, Lord Carrington does not believe that French interests stand apart from the British and German concern to control Community expenditure.

public expenditure at the present time. Moreover the Community is fast approaching the 1 per cent VAT ceiling on the Community's own resources. That is no easy task, particularly in the case of agricultural subsidies and to restrain the share which agricultural spending takes of the Community's resources.

"The CAP must be made more market-oriented. Most member states, including France, would accept that the CAP cannot continue to finance unlimited quantities of products regardless of the cost. Moreover, in many respects, French agriculture is highly efficient and need not suffer if the CAP becomes more exposed to market forces."

The idea that on this central issue of reforming the CAP, which lies at the heart of Community expenditure problems, Britain and France will always take opposing views is not necessarily correct, Lord Carrington argues.

"Mr Cresson, the new French Minister of Agriculture, recently suggested that there was a need to bring CAP prices down to world levels. But any changes in the CAP will need to result from the reconciliation of the agricultural interests of all 10 member states, not just the UK and France. The Commission included proposals for improving the CAP in their report on the May 30 mandate last month. This is an important opportunity to make progress on this subject. We, as the presidency, will do all we can to see that the Community makes the best use of it."

The counter argument that the Community needs to do more and spend more, and that the 1 per cent VAT ceiling ought to be raised, offers no attraction whatever.



"The 1 per cent limit exists because that is what the original Six decided in 1970. To increase it requires the unanimous agreement of all member states and their parliaments. It would not be right to consider raising it in the present difficult economic climate, when national public expenditure is under such pressure, nor would it be practical politics to do so. Raising it would simply permit even more money to be spent on agriculture and would not help to resolve the budget problem. Its existence is a stimulus to agreement."

After the European Council's preliminary discussion, he hopes that examination of the Commission's report will begin in earnest so that thorough preparations can be made for decisions at the European Council in November. It is natural that the new French Government needs time to consider its position, but he does not think this will affect the timetable overall.

If there is one thing, at the end of your term, that you would like to have achieved, what is it?

It is important to avoid exaggerated expectations from a presidency which (with holidays) effectively lasts only four and a half months. I suppose that the main priority of any presidency must be to promote the interests of the Community as a whole by the efficient conduct of its business, and the constructive use of its international influence. It would be quite wrong to see it as an opportunity to advance any narrow national interest.

"Rather than a single spectacular success in any one field, I would look for progress on a range of questions — the May 30 mandate, fisheries, enlargement, and the development of political cooperation. I should like to be at the edge of the parties closer to a settlement in the Middle East. I see it as a chance to reaffirm to our partners our commitment to the Community, and to demonstrate — to our own public as well as abroad — that all partners gain strength from the formulation of constructive European policies, and that we have something to contribute to this."

Will there be another grand crisis at the end of the year then? "I have no crystal ball."

Lord Carrington says, "Of course the discussions among member states will be difficult, but the Community has pledged itself to completing restructuring by the end of the year. As the presidency, we shall certainly be aiming for decisions on the essentials by then. If, in the event it does not prove possible to reach agreement, the United Kingdom position for 1982 is safeguarded by the terms of the May 30 Agreement."

Turning to external affairs, Lord Carrington is very disturbed by the deterioration in the Middle East. Does he see any practical chance for the Europeans to make a useful contribution?

"Tension in the Lebanon and Israel's attack on Iraq's nuclear installations are bound to make an already very difficult task even more intractable. The future is in any case obscure because we had to wait for

Israel's election, and there are uncertainties over future United States policy."

"But I do not give up easily. We cannot sit back and let the situation deteriorate. As we see any opportunity for progress, however limited, we shall seize it with both hands. At the same time we are fully aware of the limitations of what we can achieve on our own and the need to avoid grandiose but futile or even unhelpful gestures."

What about Israel's objections to the Venice Declaration, which totally alienated Israeli opinion? Lord Carrington is fully aware that it takes two to negotiate.

"I cannot stress too often that we are only interested in a negotiated settlement, not in trying to impose our views. I may say that I do not believe that Israel's reaction is justified by the reality of our position. We believe the policy outlined at Venice is fully compatible with Israel's concerns and in

Israel's long-term interests."

"We shall simply have to continue to work with Israel to convince her that our motives are genuine. If there is to be a settlement, both sides will have to change and accept the rights of the other."

Can he, on the other side, persuade the Palestinians to budge? "If serious negotiations are to be possible, the Palestinians including the PLO will have to show willingness to negotiate peacefully and to accept Israel and live in peace with her."

"This is a message we are constantly trying to get across to them. A move in this direction could help to break the impasse and would be very much in the Palestinians' own interests. But we have no magic wand here either. Persuasion is in the end our only weapon."

Finally, Lord Carrington sought to answer the charge that Britain has not got the reputation of being a very good European partner.

"I am not convinced that we are really seen as a bad partner, though it may sometimes suit others to suggest this. All member states fight hard for their vital interests, but all need sensible and balanced compromises, if the Community is to survive and develop. We are no exception."

"Of course, we have had to fight hard on the United Kingdom budget contribution, but much has been achieved already, and we hope we will achieve a final and lasting solution quickly. With an equitable budgetary arrangement the Community can concentrate on its future development and decide its policies on their merits rather than in terms of the financial gains and losses they bring to individual states."



## Facts and figures

US economic policy is no excuse  
for European failings

Representatives of the seven big industrialized countries will meet again, in Ottawa, on July 20 and 21. Will they find the formula to bring about a recovery that will be both healthy and above all, more evenly shared, and to make a start on the relaxation of monetary tension? The United States stands accused of exacerbating the situation through what has been called its "selfish" policy on the dollar and its "devastating policy of abrupt interest rate increases."

The newly installed French Government, brimming with ideals, has lost no time in stating its position, and has done so in political terms. M. Jacques Delors, Minister for Economic Affairs and Finance, speaking at a European meeting, has pointed out that "the United States cannot expect us to be strong and reliable allies in the foreign policy and defence spheres if it continues to pursue its economic policy without regard to the damage caused."

The French economy is certainly experiencing particularly severe effects from this "storm from the West" at the present time. Never have interest rates risen so high so quickly, with a leap from 12.75 per cent to 20 per cent on the money market in a matter of days, despite exceptional tightening-up of exchange controls. This will not only prevent the recovery needed to pay for the newly introduced social benefits, but could hamstring business activity and force the Government to take emergency action.

However, to lay all the blame on the dollar and US interest rates would seem as simplistic as M. Raymond Barre's claim that the second wave of oil price increases caused the failure of his efforts to combat inflation. Experience would suggest that factors specific to France, both psychological and economic, account for half of the steep rise in money market rates, so that a fall in American rates, although helpful, will not be enough in itself to dispel the problems.

West Germany has also been airing its grievances. Chancellor Helmut Schmidt has warned that "the very high level of interest rates in the United States will at best delay the economic recovery, and at worst cause a world depression." However, Herr Poehl, governor of the Bundesbank, has said that it is West Germany's large budget

	quality of growth				maintenance of growth		
	prices	unemployment	productivity	foreign trade	capacity	vulnerability	to external factors
GERMANY	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
FRANCE	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
ITALY	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
BRITAIN	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●

## United States: the start of a decline?

Growth rate: After the sharp improvement in the first quarter, the most recent figures seem to indicate a levelling-off or even a slight decline. Retail sales fell by 2.1 per cent in April and rose by only 0.2 per cent in May. Industrial output registered only small rises in April (0.1 per cent) and May (0.3 per cent).

Prices: Inflation is at last beginning to ease. On the basis of March, April and May, the annual rate of increase in wholesale prices was down to

10.5 per cent compared with the figure of 12.2 per cent based on the previous three months. Retail prices are now well below 10 per cent, at 7 per cent.

Unemployment: Having been stable at 7.3 per cent for several months, the unemployment rate, expressed as a proportion of the working population, jumped by 425,000 in a single month.

Foreign trade: April brought a sharp change in the United States trade figures. The deficit had been falling steadily since January and was down to \$500m in March, but it shot up to \$3,460m in April. Monetary and financial influences. The recent trend in American interest rates is disconcerting. The prime rate, having reached a peak of 20.5 per cent and even 21 per cent with some banks, had seemed to be on the way down when it was cut to 19.5 per cent, but renewed pressure has sent it back up to 20 per cent.

What is happening in practice? The strength of the dollar is indeed helping to curb prices in the United States, while pushing up the cost of imports in Europe. The most striking example is provided by oil, world prices for which, in dollars, have fallen by over 10 per cent. If consumer prices, especially of petrol, have come down in the United States, the same has not happened in Europe.

The combination of excessively high United States interest rates and an overvalued dollar should deal a double blow to European economies, aggravating inflation and depressing economic activity. In the United States itself, it should curb inflation, but at the cost of economic stagnation.

In Italy, there has been until recently no government voice, although fortunately the Bank of Italy, the only stable influence in that country, continues to make itself heard. Signor Carlo Ciampi, its governor, has recently issued a warning in which, while emphasizing the damage done by the dollar, which is making it necessary to pursue "more restrictive monetary policies than would be warranted by domestic factors alone", he has

## Japan: industrial output rising

Growth rate: On the basis of February, March and April, the annual growth in industrial output is once again above 5 per cent and rising slightly faster than a year ago.

Prices: Retail prices are rising at an annual rate of 6.2 per cent calculated on the basis of February, March and April, and by 5.2 per cent according to the figures for the past 12 months. However, the fall in the yen's exchange value brought a further acceleration in the rate of increase in wholesale prices during May.

Unemployment: The unemployment rate calculated as a proportion of the working population rose from 2.17 per cent in March to 2.32 per cent in April. (It should be remembered that the method of calculation used produces an underestimate compared with European methods.)

Foreign trade: Cover of imports by exports (calculated fobcif and seasonally adjusted) remains comfortably above break-even point, with 106 per cent recorded in May, following 102 per cent in March and 106 per cent in April.

## PRICES

consumer price index

AVERAGE

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## FOREIGN TRADE

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## INDUSTRIAL GROWTH

basis: seasonally adjusted index of industrial production excluding the building industry

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## UNEMPLOYMENT

estimated unemployment rate as a percentage of the working population (not comparable)



International and cross-frontier traffic increase

# Politics and economics hinder trade between 'the two Europes'

Anyone looking at the map of Europe — not the political map, divided into countries and blocks of countries, but the physical map — cannot fail to see that Trieste and its harbour are naturally placed to be the keystone for all the traffic between the countries of the West and those of the East, and for the traffic of both groups of countries with the Middle East. In reality, however, the position is very different.

In 1938 the countries of Eastern Europe, that is Bulgaria, Czechoslovakia, Yugoslavia, Poland, Romania, Hungary, the Soviet Union and that part of Germany which today constitutes the German Democratic Republic, contributed more than 10 per cent of the total traffic of the Port of Trieste. In 1970 the figure had fallen to 5 per cent and the most recent figures for 1979-80, show a further fall, to little over 3 per cent.

We have reached the point where, although goods traffic in the Port of Trieste has risen from less than 3,500,000 tons in 1938 to more than nine million in 1980, the weight of goods coming from or going to Eastern Europe has fallen from 350,000 tons to about 300,000 tons. There was an increase in the first three months of this year, with about 120,000 tons compared to 95,000 for the same period last year, but it is too small to think that an inversion of the trend is yet on the way, or that the political and economic difficulties which hinder trade between the "two Europes" via Trieste are on the way to being solved.

The political difficulties come from one side only, the East. They spring not so much from prejudice against the Western political system as from a natural tendency on the part of state industries and economic organizations to use ports within the Comecon "block" or ports of sympathetic countries such as Yugoslavia, if only for foreign currency reasons. However, this year at last there are signs of greater openness.

A liaison committee has been set up between the ports of the Upper Adriatic — Venice, Trieste, Fiume and Capo d'Istria — and it recently met in Venice to programme common promotional action, the first concrete manifestation of which should take place next autumn in Munich, Bavaria.

Of much greater importance are the economic difficulties, which handicap Trieste considerably. Whereas another big



Trieste is the keystone for harbour traffic between East and West

Italian port, Genoa, faces the competition of Marseilles which, highly efficient though it is, has operating costs at Western European levels. Trieste is in competition with Cap d'Istria and Fiume, whose costs are at most 70 per cent and in some cases as little as 30 per cent of Trieste's.

Moreover, in Italy there is the hostility of the trade unions to be reckoned with, with its repercussions on internal costs and on the time ships are kept in port. On the Yugoslavian side this does not exist.

Against this Trieste has advantages which mean that costs alone are not the decisive factor. Its advanced traffic handling equipment is without comparison anywhere else in the Upper Adriatic.

Most notably there is the Molo VII — an immense quay that enables more than 200,000 containers a year to be trans-

shipped, with operating wharves extending more than a mile in up to 65 feet of water, and special cranes that can load a 40ft container and offload another in three minutes.

Molo VII also has three ramps for mooring roll-on, roll-off units, ferry boats on to which semi-trailers loaded with cargo are driven by tractor.

This quay, already the largest in Italy, is being duplicated, with a budget appropriation of 40,000m lire, and another European coal terminal under design will cost 150,000m lire and be able to handle 20 million tons of coal a year.

Of the goods loaded or unloaded at Trieste 90 per cent are "in transit" under the extra-territorial facilities that have been Trieste's for centuries. Under this system Trieste makes available for its customers a large commercial free port. This comprises the

old entrepot, whose origin goes back to a decree of the Emperor Charles VI of Austria in 1719, and the new entrepot, which was started at the end of the last century, as well as coffee and timber warehouses that are among the largest in Europe.

This international character of Trieste, and its position at the heart of Europe, cannot yet be properly exploited because Trieste's great handicap is its overland connections. The road and railway systems are not adequate to the needs of Continental traffic, which involves also the great industrial Port of Trieste, with its iron and steel factories, chemical and engineering industries, food factories and shipyards for shipbuilding and repairs, and its industrial enterprises.

The oil port, which, with the terminal of Trans-Alpine oil pipeline that connects the Upper Adriatic with the re-

fineries at Ingolstadt (Munich) and Schwabach (Vienna), has a great traffic potential is another European feature of Trieste.

But the railway lines to Salzburg and Munich, Graz, Vienna and Budapest, Linz, Prague and the Brenner are inadequate, and the motorway links with Tarvisio and the Yugoslavian network are slow in being completed. For years the Friuli-Venezia Giulia regional authorities have been pressing for these links, and for a third branch to Bavaria through the Monte Croce Carnico tunnel.

There are also difficulties from the Austrian side (which, it seems, are on the way to being overcome) bound up with ecological and local considerations, and the rival interests of the plans for linking Passau, Linz-Graz with Semlitz, on the Austro-Yugoslav border.

Much has been done, and in the next two years the results should become apparent. Also there is a somewhat optimistic project, which may become more realistic if the cost of oil continues to rise, for making a study of the link between Trieste, through the Sava river and the large Rhine-Main-Danube river system, the enormous importance of which needs no emphasis.

At the beginning of a new decade Trieste is looking on 1981 as "the year of the north". It intends to make a fresh start to capture the true position it holds as the centre of traffic between the "two Europes", and between Europe and the Middle East.

Trieste and its harbour has everything in its favour to meet this challenge: it must now play its cards correctly.

Mario Salvatorelli

Passes dictate the way

# New Alps routes needed

Cross-frontier traffic in Europe has increased far more in recent years than internal traffic in EEC member countries. This is a reflection of Europe's growing prosperity and the closer interdependence of its various national economies.

The volume of goods traffic across Germany's frontiers, for example, rose from 213,500,000 tonnes in 1960 to more than 428 million in 1970 and 544,600,000 in 1979. The increase from 1960 to 1979 was 155 per cent. Internal traffic, on the other hand, rose by only 21 per cent.

In most cases, international traffic is routed over a wide range of communication lines. In the Alps, however, it is concentrated on a small number of possible routes, dictated by the location of the passes across the central Alpine ridge. In recent decades several new road communications routes have been completed through the Alps, but rail traffic runs on lines still dating from the last century.

Because of this, on the Brenner route in particular, additional traffic has all been switched to the roads. This is neither energy-saving nor sensible in terms of international policy. But new rail communications through the Alps also have priority because any plans for new road communications now meet with such opposition that they scarcely seem feasible.

A further argument in favour of new rail track is that existing track altitudes are too high. Trains have to fight a losing battle against considerable heights, which is unnecessarily wasteful of energy.

For many years much thought has been given to new railways through the Alps. This has crystallized into three projects: a tunnel under the St Gotthard, a tunnel under the Splügen between Chur and Chiavenna, and a tunnel under the Brenner, for which a number of different routes have been proposed.

The one that is preferable from the German point of view, is, in my opinion, the St Gotthard tunnel. It would be on the main trade axis between the countries of central Europe, running from the Rhineland through Basel and Zurich to the great Italian industrial complex round Milan and Turin.

Complete modernization of the Munich-Verona rail line involving tunnelling through the Brenner, cannot be deferred any longer. The Brenner is the most important transit route for north-south traffic through the central Alps, with by far the biggest annual volume — 11,600,000 cars and 13,600,000

tonnes of goods traffic, 10 million of it by road.

Another communications project for the Alpine region that is urgently needed is the Inn-Pyhrn motorway link in Austria, extended into Yugoslavia. The so-called gasterbrenner route is notorious. The road through Styria to Maribor and Zagreb, often narrow and passing through numerous built-up areas, ceases to meet requirements some little time ago.

A steadily increasing stream of traffic struggles painfully along this route on its way to south-east Europe and the Middle East, among the cars of people on holiday. Greece's accession to the EEC will create yet more transport traffic.

Clearly, projects for a radical improvement of Europe's communications network can no longer be put into effect solely by the countries in which construction is to be carried out. Austria, for example, is responsible for only a small part of the increased traffic along the routes concerned.

Countries that are suffering from the harmful effects of communications bottlenecks on their transport and trade surely have a vital interest in finding an international solution. Discussions have been going on in the EEC since 1976 on how to find an answer to the problem.

The West German Government, with the approval of the state governments, has suggested that the need is not for further complex EEC mechanisms but for a system whereby the countries mainly involved contribute to the cost in proportion to their share of transit traffic. Agreement will not be easy.

But the idea should not be cast aside. Now that the railways are having to refuse to accept goods in transit to Italy, an investment in a Brenner tunnel would also be an investment for the railways. It is not a Utopian suggestion as is shown by the example of Bavaria, which, because of the great importance of its trade with Italy, guaranteed a loan some years ago for the construction of the Italian motorway over the Brenner pass.

The problem involved in the creation of new communication routes through the Alps must be considered as a pan-European problem. Then it can be solved.

Anton Jaumann  
Bavarian minister of economic affairs

# Bonn's empty coffers bring canal dream to a halt

A waterways system running from the North Sea to the Black Sea, a canal which, passing through the Franconian Jura range, would link up Europe's historic rivers, the Rhine and the Danube, has been one of the great European dreams for a thousand years and more.

Charlemagne attempted to turn the dream into reality when, in 793 AD, he equipped his engineer troops with picks and shovels and sent them to the divide between the Danube and the Rhine. But this early project, the Carolingian Pylae, foundered because of heavy rains; the dams burst, and now only an inscription tablet at Treuchtingen remains to remind us of this abortive attempt of Charlemagne.

More than a thousand years went by before anyone ventured to take up this bold project again. Between 1836 and 1845 Ludwig I of Bavaria linked up the Main and the Danube by a canal, with a hundred locks. Technically, the project was a

success: barges with 120 tonne loads could go swaying along the narrow channel. But financially it was a disaster.

A new competitor, the railway, provided a faster and cheaper service. The locks rotted away, and soon the apple orchards on ground leased to farmers along the banks, and the revenue from fishing rights, brought in more thalers to the state coffers than the slow towpaths along the banks used for hauling the barges serve only as a romantic place for walkers.

The revival of the project in the present century goes back to 1921, when the Rhein-Main-Donau (RMD) was founded for the purpose of constructing a waterway for large shipping. The Federal Republic remains the majority shareholder, with a 64 per cent interest, while the State of Bavaria holds 35 per cent. The company's objective has almost been reached.

Of the 677km, between

Aschaffenburg and the German-Austrian frontier formed by the Danube figuring in the work of enlargement, canalization or new construction, barely 50km of canal remain to be completed. Six of the new sluices through which shipping on the canal will be raised to a differential level of 406 metres have also been finished.

But the moment when the first of the Euroships, 80 metres in length and with a cargo capacity of more than 1,500 tonnes, will sail across the divide has receded into the far distance. Bonn's empty coffers have brought its contributions to a stop. Unless the economy picks up again much sooner than is expected, the canal will not be open for traffic until some time in the next century.

This will suit the conservationists: though they would rather have the project put off till Domagala, as they are afraid that large areas of the Danube water meadows will be lost for ever under the concrete

bed of the canal, and the enchanting landscape of the Altmühl valley totally ruined.

"I don't dispute that the building of the waterway will inevitably have a serious effect on the landscape in some places", Herr Alfons Goppel, the former premier of Bavaria and now chairman of the supervisory board of the canal company, admits but he goes on to say that a twentieth part of the construction cost is to be spent on landscaping. "I am convinced", he says, "that the redesigned landscape round the Altmühl and the Danube will soon come to be appreciated as a nature reserve and recreational area."

The financial considerations are more serious. Even before the first sod had been turned along the stretch of the canal between Nuremberg and Kelheim (near Regensburg), for which the Bavarian state has amounted to DM 4,000, the Bavarian state audit office warned against the venture, on

the grounds that "no economic necessity" for extending the waterway beyond Nuremberg can be established.

It could be once more the railway that does for the canal. Even on the — unlikely — assumption of 24-hour operating, the most freight that could be carried by waterway across the stretch would be 18 million tonnes a year, whereas even the existing two-way rail track can handle, apart from passenger traffic, an annual goods tonnage of 60 million tonnes. And for the stretch between Nuremberg and Regensburg there is still an unutilized annual capacity, without any reconstruction work, of between 10 and 20 million tonnes.

The time element is also against the canal. An inland navigation vessel will take 103 hours to cover the stretch between Main and Passau, whereas a goods train can cover the same distance in 10 hours. Even analysis of the energy-

saving aspect comes out in favour of the train.

The ratio of energy units consumed per tonne-kilometre by water and rail is 1:1.2, slightly in favour of the water route, that is. But this is an over-simplified calculation; if the actual distances to be covered are taken into account, for the Frankfurt-Regensburg stretch they amount to only 339 kilometres by rail but to 549 by water.

Contrary to what the contractors say, the financing of the canal is for this reason on a different basis from the normal financing method employed for a public transport system, for the income from 49 hydro power stations which have been assigned to the Rhein-Main-Donau company until the year 2050, is to be spent on the construction work.

In contrast with the stalling of the canal project, the coalition government in Bonn, Bavaria is all for getting on with the job quickly. The Free

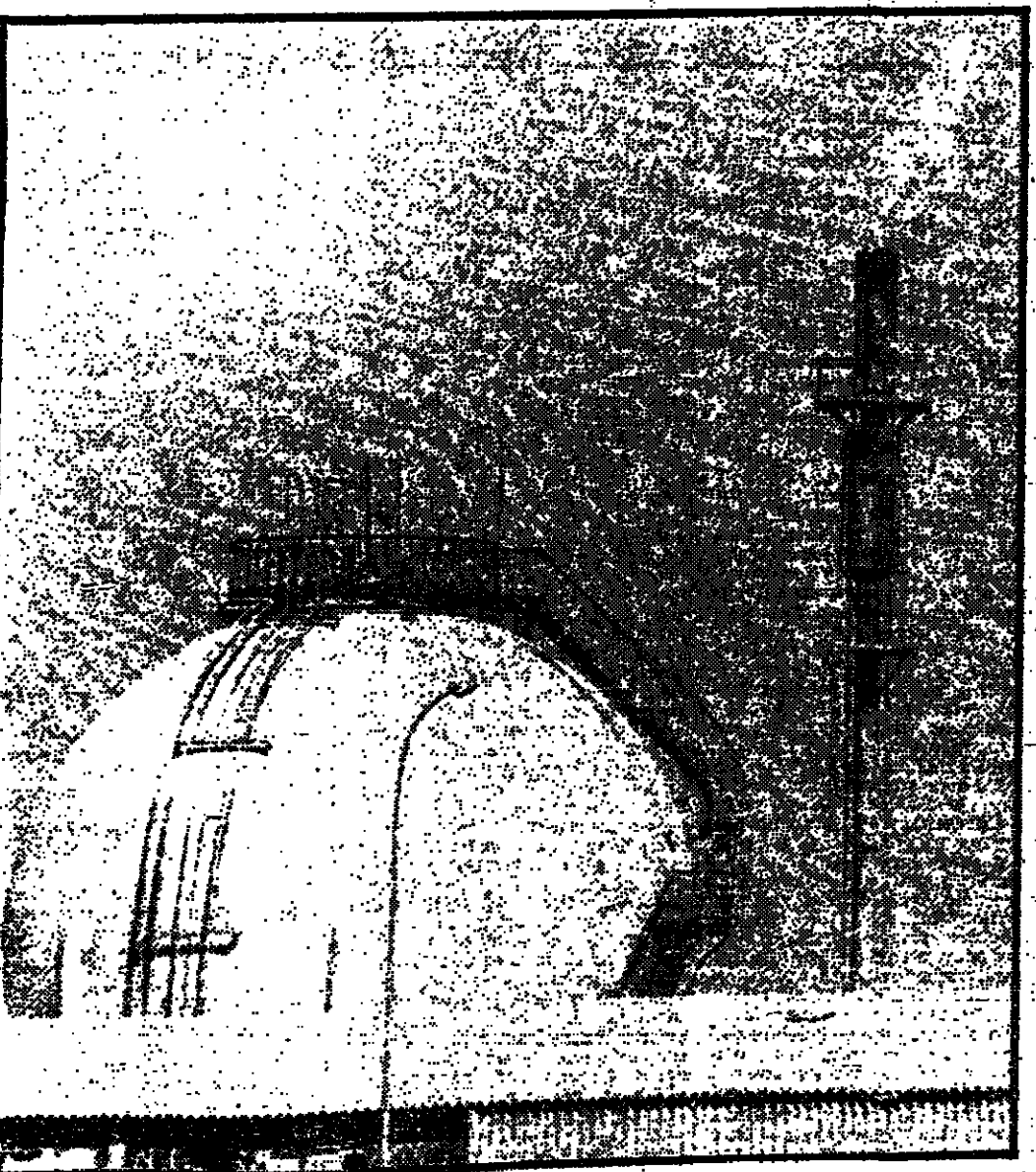
Democrats in the Bavarian parliament have petitioned for a halt to construction, but the state Government under Herr Franz Josef Strauss is pressing for completion as soon as possible.

Herr Anton Jaumann, the Minister for Economic Affairs, hopes that a waterways system against their competitors with the help of high government subsidies or of abandoning the Rhine to the Communist inland shipping fleet.

The Rhine Danube is already a warning indicator in this connection. For a long time, now it has been virtually a "red river" dominated by shipping from the East: the "Bavarian Lloyds" still flies the federal German flag on it, but the sailings it makes are for national prestige, and are subsidized to the tune of millions of marks out of the Exchequer. With this example to go by, no one can yet tell what future lies in the waters of the canal.

Peter Schmalz

# Fierce opposition to ambitious gas pipeline project



Gas flame and storage terminals at Abu Dhabi.

The ambitious project for a 5,000 km gas pipeline running from the western part of Siberia to the Bavarian frontier is rapidly becoming a contentious issue between Western Europe and the new American Administration: the latter leaves no doubt about its dislike of this deal.

After his March meeting with General Alexander Haig, United States Secretary of State, Count Otto Lambsdorff, the German Minister for Economic Affairs, was forced to concede: "I do not think that my arguments convinced him." The Minister had tried in vain to persuade the General that East-West trade was not politically harmful.

The Americans base their reservations on the findings of the Washington Institute of Strategic Studies, which is of the opinion that the use of the pipeline is primarily of advantage to the Russians. Not only do they acquire western technology, it is claimed, but they do so on the basis of credit, which then releases funds for arms.

The Americans also find support for their attitude — different in kind though still decisive — among member countries of the European gas combine, which includes West Germany, Belgium, France, Italy, Holland and Austria. France's reservations about the deal with the Soviet Union are due to the preference shown for Algerian gas, which the French Government can still buy more cheaply than Soviet gas, although the French have already had some sharp altercations with their Algerian partners over their low prices.

Chancellor Helmut Schmidt is reluctant finally to agree to the deal, and is endeavouring to secure a reduction in volume in order to lessen West German dependence on energy supplies from the East. In this respect he sees his attitude as being not far removed from that of his chief political opponent, the Bavarian premier, Franz Josef Strauss, who has commented, wryly: "We supply the pipes, and the Russians the stopcock."

The project, the contract for which should already have been signed last autumn, would make possible an engineering project worth billions of dollars, opening new dimensions for the European gas pipeline network.

The area of deposits is on the Yamal peninsula, in Siberia, beyond the Arctic Circle, with winter temperatures down to 60°C below zero. There are 500 metres of permafrost, while in summer the surface turns into an impassable swamp. Construction work is possible on only about 80 days in the year.

Under the scheme 40,000 million cubic metres of gas will be pumped annually through pipe delivered from Western Europe for the exclusive use of the West. The Russians have given their assurance that no branch-line installations will be constructed in the Eastern block territory, through which the pipe will pass.

German industry is expecting a boost to orders, from the construction of the pipe worth DM10,000m, which would help to check the present slowing of the economy through the economic recession. But the

banks are still against the idea; they are required to advance this sum in the form of credits against future gas deliveries, and Moscow is holding out for an interest rate of below 8 per cent and will in no circumstances go higher than 10 per cent.

Herr Hans Friedrichs, a former Minister for Economic Affairs, in his present capacity as managing board spokesman of the Dresdner Bank, has given a warning that the German banks can "now afford less than ever to make accommodation loans."

The European gas combine already has three pipelines fed with Soviet gas from Siberia and the Urals, which run along the Soviet-Czechoslovak frontier and cross the communist border in the Bavarian frontier town of Waldhaus.

If the gas pipeline deal should come off, West Germany would become the largest gas-importing country in the world, and with annual imports of 24 cubic metres of gas from Russia would cover a third of its requirements in gas with supplies from the East.

In an attempt to allay fears about increased dependency supporters of the gas pipeline deal say that only about 6 per cent of all West German consumption in primary products is accounted for by supplies from the Soviet Union. Besides which, they add, the Russians are reliable business partners and even if there were to be a halt in supplies this would not have any dramatic effect on West German supplies of gas as a whole. There is said to be a secret understanding that in such an event, gas deliveries from

Holland would be increased — though no formal contract exists.

There is indeed a spider's web of gas pipelines in Europe supplying energy across the frontiers, connected up directly or through a host of third parties to 70 per cent of the known world gas resources. For example, North Sea gas started to flow four years ago from the Norwegian Ekofisk field through a 440 km undersea pipeline to Emden, from where half the gas is distributed over the West German network and the other half goes to Belgium, France and Holland.

Under the Stat Fjord project being planned, a 1,600 km long pipeline under the North Sea will carry gas from the Norwegian field north of Bergen to Emden. The next major project, for bringing Algerian gas by pipeline to the European continent, is being planned by Italy. Starting in Tunisia, the pipeline will cross the Mediterranean by way of the Straits of Messina, at depths of between 500 and 600 metres, and gas will be pumped through three pipes each of 508 millimetres in diameter.

This project is suffering, however, from the tactics employed by the Algerians in the negotiations; they have approved the pipeline, but have not yet settled a firm price for the gas.

Meanwhile a total of 40,000 million cubic metres of gas is carried annually across the world's oceans in liquid form, the longest distance that is covered being the 10,000 kilometres between Abu Dhabi and Japan. The tankers bringing gas to Western Europe — mostly

from Libya and Algeria — cover distances from 600 to 2,900km.

But transport by sea has a considerable disadvantage compared with pumping through a pipeline; whereas with pumping the maximum loss to be reckoned with is one of 10 per cent, nearly a third of gas purchases is lost in the process of liquefaction and re-liquefaction.

Whatever the outcome of the Algerians' poker tactics over their gas or of the Soviet project, Europe's future gas supplies are assured. Of the world's proved reserves of natural gas, 77 per cent are geographically closer to Western Europe than to the other major energy consumers in the Western world.

By 1990 one home in every three in West Germany will be heated by natural gas. Estimated world reserves are 262,700,000 million cubic metres, and last year 1/4 per cent of this volume was consumed. In 40 years' time two fifths of world reserves will have been exhausted. In Nigeria alone more gas is wasted in flaring operations every year than the annual volume West Germany would procure from the Soviet Union in the controversial deal.

Its proponents are also banking on pressure being put on the United States Administration by American industry; the American Caterpillar corporation has put its tenders for the gas pipeline deal worth more than \$1,000m.

P.S.



## 'A divided Germany, a divided city'

The 61-year-old Christian Democrat Herr Richard von Weizsäcker was recently elected, with the support of the Liberals in the Senate, Bürgermeister of Berlin, the first member of the CDU party to be appointed to this office. His own party was two votes short of an absolute majority and had to form a minority government. Party members hope that the FDP party will continue to give its backing to Herr von Weizsäcker, one of the most distinguished politicians and committed Protestants in Germany. Hans-Herbert Holzamer spoke to Herr von Weizsäcker about the status of Berlin in relation to Europe.

Herr von Weizsäcker, after all the criticism it has aroused and the numerous scandals over the years, Berlin still looks like a provincial city to the rest of Europe. Is it?

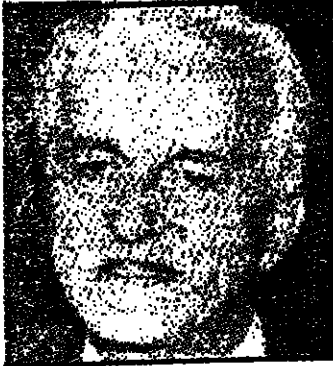
No, I don't think so. Berlin is on the very boundaries of the division that marks our political systems and our peoples. A divided Europe, a divided Germany, a divided city. The leading figures of the world political scene are not in Berlin but there is nobody who has any influence on world politics who does not know about Berlin and its problems, its challenges and opportunities, and take them into calculation.

Is Berlin, then, still a pressure point between East and West?

I do not believe there is any intention in the East of exerting pressure on Berlin from outside. The political figures on the left, from the Warsaw Pact countries more often question one just has to wait and see — where Berlin is going to find the inner strength to maintain and enhance its ability to survive.

There is no need for any pressure to be exerted from outside. The only thing is that everything we have experienced, and shall experience in the future, from the extremes of a policy of détente to East-West confrontation, has always been in connection with this division and its consequences, and the possibility of eventually doing away with it.

In this context Berlin is both a symbol and a testing ground. People in the major centres of the East and West are often more aware of the significance of Berlin than Berliners themselves realize.



Many people are saying Berlin is an unnecessary burden, both financially and politically.

It would be a sign of great shortsightedness if anyone in Bonn or the rest of the federal republic were to take the view that Berlin was no concern of his. How we in Berlin deal with the conditions of existence for Berliners themselves and with Berlin in the international context is something that is also decisive for the future of the federal republic.

Would you say that is why the Americans always follow with such attention the German attitude towards Berlin? And that German-American relations cannot be separated from the relationship between West Germany and Berlin?

There is one thing one must always remember: the Americans, with the other two protecting powers, are of course in Berlin with the full agreement of the Germans, but they are also here in their own



Rioters plunder a store after smashing its windows during violence in West Berlin.

right. Their being in Berlin in itself makes the Americans a European power.

The position is different when they have a presence in another friendly country only as partners in the alliance. The Americans take their responsibilities in Berlin very seriously, and do not interfere in any way at all in our internal affairs. Naturally enough, of course, they watch very carefully for any change of feeling in Berlin and the rest of the Federal territory on East-West questions in general and the Alliance in particular. Berlin, in my experience, is a highly

sensitive indicator of the state of German-American friendship at any particular time.

Will you, as present Bürgermeister, von Weizsäcker, also lay stress on this?

Certainly, if it is necessary. Berlin has no independent foreign policy of its own to pursue — that would be completely against our interests — but one can sense here more quickly than in Bonn the impact in America if the Germans or Europeans are behaving in a certain way. After all, we live cheek by jowl with the Americans here,

every day of the week. And in Berlin we can not only never forget what the Americans have done for the city, we can never lose sight of the fact that the freedom that allows us to contest democratically among ourselves, for the best way of running things simply would not be possible unless it was guaranteed by the protecting powers.

Berlin, of course, is part of the European Community. Berlin members can vote in the European Parliament but not in the Bundestag. Does Europe offer Berlin opportunities that

are not open to it in West Germany?

I should not put it like that. Berlin is an integral part of the European Community.

This tie of Berlin's, which extends to all the treaties between the European Community and third countries, is one of the arches supporting our existence as a component part of the federal republic, though on conditions that are more closely defined in the Four-Power Treaty and naturally has a wider context than the European Community alone.

Once it was Berkeley, then Berlin, then West Germany. That is no longer so. Do you think you will be able to bring back some intellectual excitement to the city?

At the time of the student movement and student unrest, very strongly pronounced theoretical knowledge and requirements were used as the basis of fairly concrete political goals. During the current period of unrest we are seeing different forms of manifestation from those we had in the past.

Seen from Berlin, at least, groups of young people are

involved who are on the fringes of society and do not really know whether to join in or to opt out. There is a combination of misapprehension and refusal to accept things rather than any definite change of political views.

We need to have and be able to welcome people in Berlin with whom all of us in the city can live together, who realize that some degree of consensus in Berlin is necessary and acceptable. A city surrounded by a wall cannot afford to have any fences of its own making in the free part inside the wall.

## New cable and satellite services bring better programmes

In the autumn Radio Luxembourg will be deciding on a project for a new television service to be transmitted by satellite, in which West German newspaper publishers are also concerned. The West German Government has till then to make its objections felt. The French are also expected to help, as the French Government is a shareholder in Radio Luxembourg. Whether or not the commercialization of television is a bugbear is the subject of an article written for Europa by the 74-year-old philosopher Professor Karl Holzamer. Professor Holzamer is the founder director of the ZDF, the "German Channel Two", in Mainz.

At a press conference in Singapore in the mid 1960's organized by the Asian Broadcasting Union, of which the big European broadcasting corporations are associate members, I was pressed for my views on the introduction of satellite television in Europe. I answered, somewhat hesitantly, that transmission via satellite was of the highest importance for retransmission and exchange of programmes over the vast distances to be covered in Asia; though in Europe our terrestrial channels made its immediate introduction unnecessary, we felt that the use of satellites for intercontinental transmissions by American and Asian stations made good sense.

Today, in fact, there is a regular twice-a-day news service in operation with the majority of

European stations, using television film to carry news on important events, which subscriber corporations can switch into, or switch out of, at will; and satellite transmission for intercontinental use has proved itself in a number of different areas.

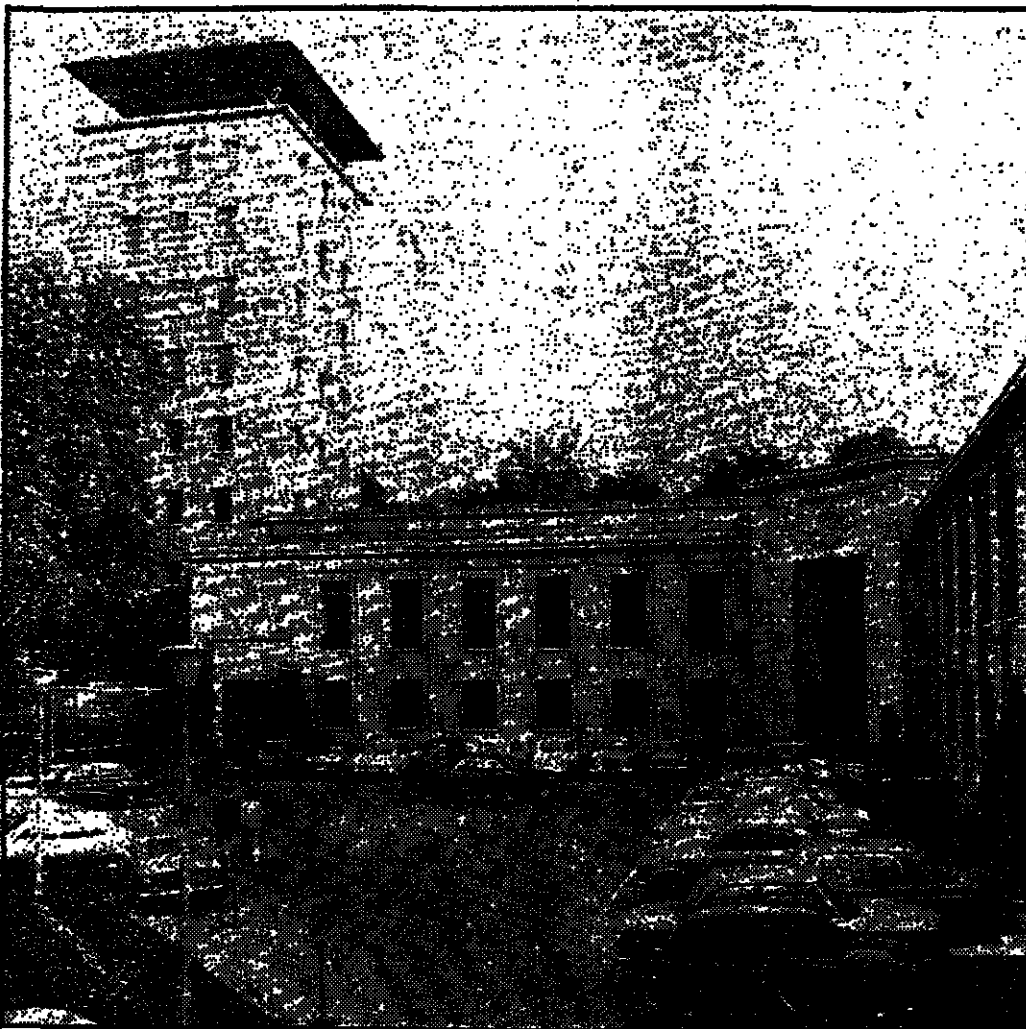
But, since the time I mentioned, technological development has been accelerated and improved, and demands to make that in television systems at local, regional, European and world level have been increasingly heard. With the use of cable, more and better programmes can be brought to viewers, new cable and satellite services are being discussed, and these discussions are often heated and decidedly contentious.

Opponents of an increased range of programme services from whatever source, through the employment of new technologies make two points:

First, even under present conditions financial and production requirements mean that — especially in entertainment — use has to be made of mediocre material, which then spreads, as has been shown with the numerous private transmitting stations in Italy. If advertising were to come on the scene, we should never be free of certain American practices, such as programmes interrupted by advertisements.

Second, viewers would be exposed to a flood of television, which would reduce still further people's own creative leisure activities, and family and social communication. Ever fiercer competition would promote more programmes classed as light entertainment at the expense of worthwhile material, news and world affairs; viewers could switch from one light and superficial programme to another.

As a philosopher and teacher, as I have always tried to remain during my time as director, I do not take these objections lightly. But these dangers — in part at least — already exist; they do not depend on the number of programme services. It is a question of educating the medium to be selective. One programme service transmitting round the clock is likely to be "more dangerous" than one



Headquarters of Radio Tele Luxembourg

served by several different suppliers at the same time for specified periods.

One thing, of course, remains true in the arguments against full use of available technologies for the media — not everything that is technically feasible is desirable or a blessing. Where does the limit lie, and what constraints should be adopted?

A television service with a European format — whoever the supplier and whatever the means employed — should be built round systematic exchange of the existing programme. The national television corporations should reciprocally present programme productions of their own in an association firmly based in the European Broadcasting Union and embracing also the Mediterranean countries.

Joint productions should also be prepared on a long-term basis, to be synchronized either as part of the respective national services, or transmitted in a common service. This form of joint production, with the exercise of central control, could in particular handle series and material based on our European history, our literature, and our way of life and

outlook, and be an important addition to the films and television from the New World.

The rudiments of this already exist. But a newly created television service (such as a European satellite) would be failing in its task if it did not reflect the plurality of Europe, and if financially it was forced to turn to the international supply market. It would then be exposed to the dangers which the first objection warns against.

Such an image of Europe would need to be complemented by the voice, or rather the voices, of Europe. By that I mean an exchange of information in the widest sense, on the television screen.

Without wishing to decry other services in any way, I can say from my own experience, that German television is the best at explaining present conditions in other countries in Europe and the world. This is because the news content in ARD and ZDF programmes, in relation to the entertainment content is almost disproportionately high. The balance in a European programme would need to be mutually adjusted. But restraint on the part of viewers is still needed. The

smaller world becomes, the closer events appear. The greater the detail, the more essential is education on how to be selective over viewing.

People talk rather glibly about the "selective" behaviour of viewers, but have little confidence in the majority of people. Without waiting for the results of surveys on viewer behaviour, the use of the button for switching on, or off must represent the attitude of consumers.

The way to handle the different television channels must be learned and practiced from early on (not merely talked about). To use the media, especially television, you need the art of "reading out", or choosing. Without these, people will not be able to hold out against the mass of pictures, words and sounds.

These thoughts about television production, and even more about the consumer, may be considered rather naive. But I think it is idle to spend time on the question of naivety, or on doubts, when expansion is undoubtedly happening. The basic legal and financial and organizational principles for a European channel should be thought out in conjunction with governments.

## Release from all-night sessions on sheepmeat

After more than six years as the correspondent of *The Times* in Brussels covering the European Community, my employers in their wisdom have decided to release me for duty elsewhere. I say 'release' if only because a term in Brussels seems to be widely regarded in the profession as some kind of journalistic hard labour to be avoided at all costs.

"Six years? My god, how have you been able to stand it? All those green pounds and macs and all-night sessions about sheepmeat. Quite incomprehensible. Terribly impressed by your grasp of the detail, my dear chap, but frankly I can never get beyond the first paragraph. Won't you be glad to get back to the real world?"

Most Brussels hands learn to become inured to such comment, but the cumulative effect is undoubtedly dispiriting. I speak as a Briton, but my impression is that the experience of journalists from other EEC countries, no matter whether their public opinion is well or ill-disposed towards the Community, is much the same.

Outside Washington, Brussels probably boasts the largest captive international press corps in the Western world, the volume of words generated, whether over the air waves or the printed page, is at least as great as from any other centre of news. Yet seldom are the words of journalists as much as resources have been deployed to so little effect.

Not that it is, or should be, any part of the function of journalists to promote support for the EEC. But they must at least hope to dispel ignorance and excite interest. It must be admitted that, in Britain at least, the press has signally failed in this task. Despite the acres of words that have been written, the general public knows as little about the EEC now as it did when Britain joined in 1973, and cares less.

Undoubtedly, the intractable nature of the subject matter, which is often highly technical, the almost impenetrable legal terminology in which much of the EEC's activities are veiled, and the arcane workings of its institutions do not help understanding or make the journalist's task any easier, but in themselves they are by no means insuperable obstacles.

More serious perhaps, is the EEC's own stagnation after the early years of fairly rapid development, and the sense it purveys of endlessly turning over the same soil. Thus the "quality" newspapers dutifully chronicle each glacial shift of position in, say, the endless fisheries dispute, which has now been going on literally for years, and succeed only in deepening their readers' bewilderment and incomprehension.

To be sure, the circuitous and apparently meaningless discussions of the EEC's Council of Ministers often conceal important social and political issues, but newspapers only from time to time have the

space to examine these in depth, in daily coverage they can only be hinted at.

Much of what happens in the EEC is also, in the phrase beloved of drafters of diplomatic communications, an "on-going process", rather than a series of clearly defined events. The appetite of newspapers for hard news inevitably leads on occasion to sensational inflation of what are often quite trivial differences of opinion in the Council of Ministers into "major rows" and "clashes".

None of this advances the cause of enlightenment, and few journalists can say with hand on heart that they are free of guilt. But the problem, I think, goes much deeper, the news media — and I am speaking now mainly from the experience of the work of the Council of Ministers — is not so different elsewhere — has yet to come to grips with the problems presented by coverage of the EEC.

Broadly, Brussels is still regarded as just another foreign posting. The EEC and its affairs are seen as the arcane and esoteric province of the Brussels correspondent, and correspondents in other EEC capitals show little desire, and are in general not encouraged, to take an intelligent interest in the ramifications of Community membership in their territories.

Home-based reporters specializing in such fields as industry, agriculture, economics, social and consumer affairs and the like do, of course, write about EEC issues, but usually with scant regard for the workings of the Community's institutions or its decision-making procedures and frequently in near-total ignorance of the subtleties and political economic and social forces at work in other Member States.

As a result, they are very much at the mercy of the propaganda, whether pro or anti-EEC, put out by national lobbies, and ill-equipped to judge the value of such information against a broader backdrop. It is perhaps instructive that only one British newspaper, *The Daily Telegraph*, regularly sends its agriculture correspondent to cover meetings of EEC agricultural ministers in Brussels.

On the face of it, Brussels correspondents are in a more privileged position, having access not only to the European Commission but also to 10 separate national delegations competing to provide their version of events. But despite this range of information sources, the Brussels-based correspondents are in their way as much prisoners of the system as their fellows at home.

The commission, though through its own distorting prism. When I first came here, for example, journalists who dared to ask for information about the net budgetary balance of member states were told tersely that it was impossible to calculate. This attitude changed

only when the British Government insisted that such figures be produced.

In covering the meetings of the Council of Ministers, the pressures of space and time make it difficult for journalists to do much more than give a summary of the line taken by their own country's minister and a brief reference to the reaction of other member states. Inevitably, the "home" minister is the main source about what has been discussed (the meetings being closed to the press), and (or her) version can seldom be properly checked against other accounts.

The sheer range of subject matter is also daunting and, in the end, limiting. To do full justice to the Common Agricultural Policy, for example, a journalist would at the very least need to be something of an agronomist, an economist, a specialist on exchange rates, a constitutional lawyer, and to have detailed and continuously updated knowledge of the development of agricultural policy in each member state.

This is clearly beyond the compass of a single journalist, particularly when he is expected at the same time to be an expert on foreign affairs, the minutiae of international trade disputes, nuclear energy, the problems of the declining steel, shipbuilding and textile industries, the environment and the host of other matters that are affected one way or another by EEC membership.

It is also true that the Brussels-based correspondent does not have ready access to the important alternative sources of information in Member States, such as the views of trade unionists, scientists, ecologists and so on, against which the information put out by the Commission and the decisions of the Council of Ministers needed to be measured. The Brussels picture is therefore necessarily incomplete.

What can be done? The first step — obvious though it may seem — must be to recognize that the EEC is not "abstract" in the traditional sense. Home-based correspondents need to be much more closely involved in the Brussels dimension of their particular specialties, perhaps becoming responsible for coverage of the more technical and specialist council meetings, for example in such areas as energy, the environment, education or labour affairs.

This would leave Brussels correspondents free to press the main political, economic and social trends and to attempt to set them in a more general context. Ideally, this would require the freedom to travel much more widely within the EEC, and to examine in depth the different national attitudes to the main issues, than is now generally the case.

Michael Hornsby

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## SOUND THE ALARM

It is only too easy to ascribe causes to the appalling events in Tooting and Southall. It is considerably more difficult to propose a course of action that would reverse an apparent trend to mass violence now being witnessed on the streets of England. Each riot had its own causes, but the underlying causes are deeper, and they go back a long way. To traffic in facile short-term solutions for problems that properly require a fundamental re-appraisal of our society will reap no benefit, yet to admit that nothing can be done other than in the long term is to accept the probability of more frequent, and more intense, street riots in the future, in which there will be fatalities.

One consequence of the weekend's disturbances is that Mr Whitelaw, the Home Secretary, has, belatedly, announced that policemen are to be provided with better protective headgear and fire-resistant clothing. The helmet and the cap are totally inadequate protection against flying missiles, as the numbers of policemen with head wounds show. Riot shields may provide a defence against stones, but there is not much point in having them if they inflame when struck by fire bombs. That is also true of the traditional but fire-absorbent bobby's uniform. The improvements announced by Mr Whitelaw will not, in themselves, stop the rioting, but they should help to reduce police casualties.

Methods of containment and dispersal of rioters must now become tougher. The use of CS gas should be held back as a last resort, but if the circumstances warrant it, as they did early yesterday morning, the police should have no hesitation in using it. The water cannon, much in evidence abroad and apparently reasonably successful in containing disturbances may have to be introduced. It is spectacular and has considerable effect, yet it seldom inflicts injury. The plastic or rubber bullet, however, should not yet be introduced into the armoury of the English police.

A better equipped police force might also be able to arrest more of the violent men and boys who confront them. In all three of this year's big disturbances, the number of arrests made can only have been a small fraction of those who have committed serious crime. As it is, many of those apprehended

are charged with offences connected with the looting which follows the main riots, rather than with the acts of violence themselves. It is too soon to see a definitive pattern in the convictions obtained and sentences imposed for crimes committed during the Brixton disturbances, but it is already clear that the charges laid do not in their totality, reflect the seriousness of the events. It is difficult for the police to make constant attacks themselves, but there are also signs that the criminal law which could be filled to advantage. The Times has already argued that it should be an offence merely to be present at a riot after the police have given due warning to disperse.

The police have many lessons to learn. Accumulating evidence of insensitive policing can no longer be explained away by throwing doubt on the motives of the critics. One of their own mouths police officers called as witnesses before the Scarman inquiry have demonstrated the rigidity of police methods, and the difficulty many appear to have in understanding — and meeting — the particular needs and difficulties of the ethnic minorities. Senior cadres, particularly, have not demonstrated the breadth and flexibility of approach necessary to police a pluralist society. Somehow the training of younger policemen for the demands of a multi-ethnic community has to be developed. Whatever the standard of policing shown in these areas, there can be absolutely no excuse for the kind of vicious behaviour exhibited in the streets of Tooting, Southall and Brixton. No excuse at all. But it is essential that government and local authority should seek out the underlying causes of the violence. For if they do not apply their minds to the longer term issues, and take action, the future is bleak indeed. Of course, it is just as misguided to explain every act of mass hooliganism by reference to the prevailing environmental conditions as it is to deny that social and economic conditions play a large part in creating an atmosphere in which violence and delinquency flourish. Not every community facing social deprivation reacts to it in the way Brixton and Tooting have done; nor should any community have to react like that.

Is it fair to explain these events in terms of an emerging generation without hope, or should we not remember the conviction of that generation which exhibits no such signs of despair? Many of its members do have to live in the decaying inner cities, from where the more able, the more self-sufficient, the more ambitious, have been leaving behind the less fortunate and the inadequate. Their housing is often sub-standard; they live in vandalised tower-blocks or in soulless estates, denied facilities for entertainment or even for social gathering. Any community life there may have been broken down. Educational facilities, too, have largely disappeared through a vicious circle of insufficient funds, poor teachers, (who will not accept their faults and their responsibilities) poor facilities, and pupils with little or no will to learn. Parental control is often lacking, as lacking as it is with teachers. These factors apply to both blacks and whites (though less so to Asians) but they are made worse for the blacks, who have to face the added burden of discrimination, in housing, in employment, and in their attempts at social advancement.

Rootless, jobless, alienated from their parents' generation, resentful of the deal they are getting from society, they are black and white — find excitement in crime in violence; in fighting authority, first with attitudes, then with stones. To them, police are both representatives of that authority, and also oppressors in their own right. Many of them see their attacks against the police not only as an outlet for frustration, but also as fun and excitement, helped along all too often by the influence of television, as a medium both to watch, and to take part in. It is to be recommended the provision of jobs, an end to discrimination, a revitalisation of the inner cities. It is not so easy to do. The Government does not seem to have grasped, however, that the future stability of our society may depend on how we meet this challenge. Inaction in a number of areas, such as the inner-city, suggests a certain disdain for a concerted social policy. Yet everything else will not necessarily come right once the economic situation improves. The alarm bells have rung in Tooting and Southall are tolling for us all.

## Selling off gas industry

From Sir Kenneth Hutchison, FRSE  
Sir, The combined effect of the pressure on the British Gas Corporation to dispose of their showrooms and the order to sell off one or more of their most highly successful results of enterprise in the public sector, Wych Farm oil and Morecambe Bay gas, has led me to conclude that some more drastic remedy is needed for what the Government sees as the evils of public ownership.

I propose, therefore, and seriously, that they offer the whole British Gas Corporation, lock, stock and barrels of oil, as a going concern to the private sector, to whom it will provide an unrivalled investment opportunity. The figure is high, ending, even after allowing for substantial gearing, but once the principle is established, the sale of equity could be spread over a number of years.

Before I am shouted down by the combined forces of financiers, economists and politicians, let me just suggest that they study the record of the last 20 years of the Peoples Gas Company of Chicago: a period during which it has grown and flourished and expanded into gas transmission and now owns oil and gas exploration and production companies, and, will shortly reappear as two closely linked enterprises under a single holding company.

What is an example of the progress that can be accomplished under the rules of private ownership and public accountability, free from political pressures, which I propose demand being made in the successful of our nationalised industries.

Yours faithfully,  
KENNETH HUTCHISON,  
The Athenaeum,  
Bell Mill, SW1,  
July 1.

## Local authority dilemma

From the leaders of Middlesbrough, Borough Council and Cleveland County Council  
Sir, The comments attributed to the Health and Safety Executive in your report (June 26) on Carless Chemicals Ltd miss the central point in an important issue of principle. It affects not only Cleveland County Council but many other local authorities with long-established industrial plants within their boundaries.

One might get the impression from your report that the executive has done its job and that is the end of the matter. The issue is by no means so simple. The chemical firm introduced a hazardous process involving the treatment of ethylene oxide. It did not require our authorities' consent, but it was not wise to take action to remove the risk then the safety measures proposed by the executive.

But the executive, on the grounds that a risk remains, had given the local authorities advice that would wreck plans to redevelop an important part of central Middlesbrough and would mean the area being blighted for an unknown number of years. What are local authorities to do in these circumstances? They do not have powers to prevent such risks arising in established industrial areas. They cannot afford to buy out every such risk as it arises. They cannot, in any case, ignore the advice of the executive and yet they cannot tolerate the idea of important urban areas being blighted.

Our contention is that either the plan does not present an unacceptable risk, in which case the executive should amend its advice, or there is an unacceptable risk that should be removed. If the executive is justified in its belief that its powers do not warrant it taking action to remove the risk then the answer to the problem must lie with Parliament.

It is absurd and unjust that an important urban area should remain blighted by the advice of a government agency, simply because that agency is unable or unwilling to act on its own expert judgment.

Yours faithfully,  
WALTER PERRIER,  
Middlesbrough Borough Council,  
Leader,  
Cleveland County Council.

## Labour's Russian guests

From Mr Nick Butler and Mr Jim Murphy  
Sir, As active Labour Party members and trades unionists we wish to register a strong protest against the proposed invitation to Communist Party members to the Soviet Union and Eastern Europe to attend this year's party conference (report, June 30).

While we endorse Eric Heffer's views in seeking to have reported in the press, we do not accept that we cannot accept that their invitations make the invitations to official Communist Party representatives any more legitimate. Inviting them does not excuse inviting the master.

We are, of course, in favour of détente. True détente, however, is more likely to result from the development of democratic socialism, and freedom of thought and movement in the Soviet Union and Eastern Europe, than from the maintenance of repressive military-bureaucratic rule. The year for détente and for open political debate between East and West. It is they who should come to Brighton, not us.

Yours faithfully,  
NICK BUTLER,  
JIM MURPHY,  
130 Telford Avenue, SW2,  
July 2.

## Whitehall Theatre

From Mr Derek Nimmo  
Sir, I was intrigued to read in your columns (June 26) the letter from Mr Monty Moss, of Moss Bros, Covent Garden, pleading the removal of the Whitehall Theatre on the grounds that it was "inappropriate". Surely the Whitehall Theatre is no more inappropriate to the centre of government than a clothing hire shop is to the centre of theatreland?

Yours faithfully,  
DEREK NIMMO,  
15 Garrick Street, WC2.

## Objections to official defence policy

From the Mayor of Gillingham

Sir, One might expect the Mayor of this borough, which is threatened with the loss of 7,000 jobs and 6.65 per cent of its total rate revenue, to be opposed to the closure of the Chatham Dockyard and naval base, but I am writing to you not in that capacity but as chairman of a local Kent Committee representing all shades of opinion and upon the national rather than the local aspect.

Chatham Dockyard's commitment to the refitting of nuclear-powered hunter-killer submarines is 45 per cent of the total workforce. It is the only dockyard in this country with the capacity to undertake two stream refits, dealing with two submarines at once, and on one occasion undertook a three-stream refit. In all, Chatham Dockyard has successfully completed seven major refits, each taking about two years, five short refits, one special refit, and eight other maintenance decisions of hunter-killer submarines, in addition to the two major refits currently in progress.

The alternative facilities are meagre. At the moment Devonport has capacity for only one stream refit and has not yet completed even one, the reasons for which have not yet been made public. Rosyth is a single stream yard, and in any event deals only with Polaris submarines. Portsmouth has no nuclear refit capacity whatever.

Nuclear refitting capacity is not anybody's job. The experience and skill at Chatham took five years to build up and apparently is now to be destroyed before any adequate replacement can be made available, even if the result is to build the replacement facilities in America.

The consequences for the submarine refitting programme are incalculable; without regular refitting at set intervals a nuclear-powered submarine becomes practically inoperable, and to rely only upon the facilities outside Chatham would be a desperate gamble indeed.

The number of nuclear submarines is to be increased to 17, in addition to the four Polaris submarines, and yet the refitting capacity of the dockyards for hunter-killer submarines is actually to be reduced to Devonport, with a track record so far of one finished submarine.

Will the Government and the public accept with equanimity the prospect through the 1980s of an increasing number of hunter-killer

submarines laid up awaiting refit and unusable meanwhile?

Yours faithfully,  
HARRY BLEASE,  
Chairman of the Chatham Dockyard Municipal Buildings,  
Gillingham,  
Kent,  
July 4.

From Professor J. M. Cassels, FRSE  
Sir, The letter from Lord Duncan-Sandys (June 30) was perfectly written and argued. His conclusion appears irrefutably correct, that the most cost-effective, indeed the only way to counteract the Soviet arms build-up is for us to continue with an independent, or nearly independent, nuclear deterrent, such as Trident.

Is the argument over, then? Unfortunately not, because the problem he considers is closely coupled to another one that he does not mention, that of nuclear war arising by accident, in a regime where 10, 20 and even more nations could acquire some sort of nuclear weapons capability. Each nation could write itself a letter very similar to that of Lord Duncan-Sandys, except that in many cases some other anxiety would replace ours about the Soviet threat. Nevertheless the overall collective effort would be to produce a situation in which a hot war was highly probable; if not absolutely certain.

This country has an excellent record in the efforts that are being made in the anti-proliferation field. Nevertheless the results so far are frail. One power that is not a signatory to the non-proliferation treaty has recently attacked and destroyed a nuclear reactor belonging to another power that is so. This must be a "red alert" to anybody who thinks seriously about the future of mankind.

How can we tackle this second, and perhaps more serious, problem in a credible way while we act along the lines described in Lord Duncan-Sandys's letter? I have not the slightest idea, but I hope that the Government is giving the question the priority it undoubtedly deserves.

Yours faithfully,  
J. M. CASSELS,  
Lyon Jones Professor of Physics,  
Department of Physics,  
Oliver Lodge Laboratory,  
University of Liverpool,  
Oxford Street, Liverpool.

## University economies

From Mr Reg Tait

Sir, The cuts in university teaching staff provide a rare opportunity to help bridge the damaging divide between the academic and business areas of our national life. If that opportunity is not seized, there will be a pointless hemorrhage of some of the best qualified staff abroad while senior staff, who have years of useful work left to contribute, take early retirement.

What is needed is a scheme to allow university teachers under 40 to retrain for business life and especially for manufacturing industry. Short courses giving a super-fundamental education in management and business would be a good start. We need two-year courses coupled with scholarships, maintaining the student's income at its previous level since these will usually be people with young families who would otherwise be forced to take whatever offered. The terms should be attractive enough to interest those with secure academic careers ahead of them; this should not be an easy option for the second year.

What is needed is a scheme to allow university teachers under 40 to retrain for business life and especially for manufacturing industry. Short courses giving a super-fundamental education in management and business would be a good start. We need two-year courses coupled with scholarships, maintaining the student's income at its previous level since these will usually be people with young families who would otherwise be forced to take whatever offered. The terms should be attractive enough to interest those with secure academic careers ahead of them; this should not be an easy option for the second year.

Such a scheme need not even cost a great deal if the saving in redundancy payments is taken into account. Nevertheless the Government could perhaps demonstrate their faith in their long-term

strategy of industrial regeneration by meeting part of the cost of a scheme which would directly contribute to that strategy's success.

Yours faithfully,  
REG TAIT,  
Four Winds,  
Pebble Hill Road,  
Bechtworth, Surrey,  
July 3.

From Mr Michael Rosenthal

Sir, Perhaps the most sinister aspect of the cuts in university funding is their being a major part of an attempt by the Government to direct which direction higher education should take. In seeking to boost sciences, or such subjects as "business studies" the University Grants Committee seems to have been influenced mainly by the requirements of governmental ideology. There has been no concern with universities as places of learning; neither has there been any acknowledgment that thought itself has an intrinsic worth.

Until the not very distant past cultivation of the mind and the encouragement of the arts was considered integral to any society claiming a degree of civilization. In Mrs Thatcher's Britain there is now an attitude to intellectual attainments at one with a nation the emblem of which are the personalized number plate, the gaming club, and the perk.

Yours faithfully,  
MICHAEL ROSENTHAL,  
Fénelon Cottage,  
Upper Brailles,  
Banbury,  
Oxfordshire,  
July 4.

## A voice abroad

From Mr Antony Musgrave

Sir, The widespread dismay occasioned by the Government's proposed cuts in BBC broadcasting has largely concentrated on the threat to certain language services. This is understandable, but it has had the effect of concealing what is, in the view of many, a more serious threat — the abolition of the BBC transcription services.

This is one of the areas of activity within the BBC's external operations which has been largely little realized outside professional broadcasting circles. The transcription services do not seek publicity to themselves, least of all in the United Kingdom, but they are heard of by many, and are a source of pride and satisfaction to many of the BBC's overseas programmes available in recorded form for local re-broadcast in countries throughout the world. As a result, the programmes are heard of by many, and are a source of pride and satisfaction to many of the BBC's overseas programmes available in recorded form for local re-broadcast in countries throughout the world.

Use of the BBC transcription services is worldwide, for the excellent music and other programmes made available to the BBC's external services are a reflection of all that is best in British artistic life — as are welcome in English and non-English-speaking countries throughout the developing world, as they are in Australia, Canada, the United States and elsewhere where the public-service broadcasters make such extensive use of them.

The BBC does not offer these programmes free of charge, and if there is a shortfall between the cost of making them available and the revenue which they attract, this is attributable to the limited financial resources of the broadcasters in other parts of the world who subscribe to the service.

It is largely on the results of the transcription services worldwide that the reputation of the BBC's international reputation for excellence is based. To remove from broadcasters, and hence listeners throughout the world, a source of programmes of unequal quality, and thus to destroy one of the few reputations for true excellence remaining to Britain, would be disastrous, not least to the innumerable British writers, musicians, actors, etc., who are known in many countries mainly

as a result of the existence of the BBC's transcription services.

Yours faithfully,  
ANTONY MUSGRAVE,  
Villa Chania,  
1295 Mies, Switzerland.

From Sir Alan Rothnie

Sir, While my old friend John Le Carré (July 1) will not expect me to swallow all that he says about the many and varied reasons for his haste to support him in his argument against the proposed cuts in the foreign language services of the BBC.

During 35 years in the Diplomatic Service in 10 foreign countries I found the BBC to be the most effective of all the weapons in our national armoury in promoting our interests and reputation abroad.

Yours faithfully,  
ALAN ROTHNIE,  
Little John's Cross,  
Rolvenden Layne, Kent.

From Mr Simon Stuart

Sir, Whatever the loss to ourselves and the people of the countries affected by the proposed cuts in the BBC foreign language broadcasts, there could be gains at least on a provincial level — that of the Ashdown Forest.

I am not acquainted with the details of the BBC's tenure of its foreign transmission station at Duddleswell, nor what exemptions it may hold from the strictly rigorous local building controls, but one cannot fail to observe, concurrent with the decline in the function and importance of the site, a proliferation of buildings, sheds, huts, car parks, gantries and puzzling elongated aluminium boxes sprung from among works that had originally been carefully, or tactically, subterranean; the multiplication of three more or less elegantly shaped and sized masts into 30, inelegant and regimented; a hitherto unassisted night sky smothered with sufficient sulphur-yellow to light a suburb.

It is not the moment, if the threatened economies are to occur, for a proportional dismantling of this shanty-town-within-an-SSSI/AONB (site of special scientific interest/area of natural beauty), and to begin the restoration of the land to the Ashdown Forest from which, as a wartime emergency, it was wrested?

Yours faithfully,  
SIMON STUART,  
16 Neville Drive, NZ,  
July 1.

## Cuts in county council staffs

From the Chief Executive of Hertfordshire County Council

Sir, Your third leader (June 26) stated "In local government the bureaucrats offload any sacrifices on to meals on wheels, home helps, or any other service which actually helps the public." Experience shows that such assertions come quickly to be accepted as universal truths, especially when they feed public sentiment and are expressed in such pejorative terms.

In Hertfordshire some years ago, after the then Mr Harold Wilson's famous "chiefs and Indians" speech, we identified county council staff under three heads — service (approximately 60 per cent of the total), those in direct contact with the public, e.g., teachers, firemen, home helps, residential care staff and policemen — support (35 per cent), those in immediate support of the service staff, e.g., cleaners, laboratory technicians, welfare help-child and school meals staff — and administrative, consisting of those not in the first two categories. Since that classification was made in 1975 staff in the service category has increased by 0.2 per cent, and the other two categories together have been reduced by 14 per cent and 6.2 per cent respectively.

Let it be taken to task by some of my colleagues in the service staff and policemen — numbers of staff have had to be reduced as school rolls fall. I should explain that the first figure masks an increase in some services and a reduction in others. Moreover, the reduction of the effectiveness of the work of the service staff can suffer from the loss of support and, indeed, administrative categories.

Nevertheless, I have found the continuing concern of the administrators to do what they can to protect "the sharp end" because of their concern for the services they came into local government to improve, a cause for congratulation. I certainly do not recognise an anxiety to preserve their own skins at their motivation.

Sadly, but perhaps not surprisingly, after six years of tax raising and dispersing tasks of squeezing and cutbacks with scant public understanding, never mind sympathy, not a few of them have welcomed the prospect of escape on reasonable terms.

I do not believe the situation in this county is unique.

Yours faithfully,  
M. J. FLEMING,  
County Hall,  
Hertford,  
June 30.

## Vaccination effects

From Dr G. H. Curtis Jenkins

Sir, The recent correspondence in your columns (article, May 13; letters, June 12, 30) about the risks associated with pertussis immunization needs urgently to be placed in proper perspective.

Using the stated risk factor of serious irreversible reaction occurring in one in every 300,000 injections or one in every 100,000 children who have received three injections of the vaccine to ensure substantial protection, in our practice of 18,000 patients with a birth rate of 200 per annum, if we had been giving pertussis vaccine to all our children, one would expect the Battle of Bosworth Field we should by now have seen our first irreversible reaction.

Using the same stated risk factor for measles immunization, the Roman invasion of these islands should have begun as we started our immunizations for us by now to have seen the first child harmed by it.

In the past two years at least two young men from our practice population have been killed on motor cycles. Need I say more?

Yours sincerely,  
GRAHAM CURTIS JENKINS,  
50 Church Road,  
Ashford,  
Middlesex,  
June 30.

## Pay in South Africa

From the Chairman of Rowntree Mackintosh

Sir, In your Parliamentary Report on June 25, Mr Dennis Skinner is reported as saying, "Government ministers like... Rowntree, with its subsidiary in South Africa who dole out large sums of money to the Social Democratic Party, to stop their brutal form of apartheid by paying starvation wages to black South Africans?"

As Chairman of Rowntree Mackintosh Ltd, whose subsidiary Wharfedale (Pty) Ltd operates in South Africa, may I say that Wilson-Rowntree does not pay "starvation wages" to any of its employees, black, whites, coloureds or Asians. The company record of decency against the EEC code of conduct is excellent and it has been a leader in improving the pay and conditions of black Africans.

Second, and from our practice, large sums of money" to the Social Democratic Party, Rowntree Mackintosh has a firm, longstanding policy of not making political donations of any kind.

Yours sincerely,  
KENNETH DIXON, Chairman,  
Rowntree Mackintosh Ltd,  
York,  
July 3.

## St Paul's fire risk

From Mr W. R. Chalmers

Sir, If any of your readers are perturbed by the report (July 3) of the British Safety Council's anxieties about the fire precautions in St Paul's Cathedral, they may care to be reminded that St Paul himself stated (1 Corinthians, VII, 9) that marriage and burning are mutually exclusive alternatives.

Yours faithfully,  
WALTER R. CHALMERS,  
The Warbler's House,  
Sherwood Hall,  
Nottingham,  
July 4.

From Mrs Jackie Seward

Sir, Are those of special concern about the fire risk in St Paul's (report, July 3) in danger of forgetting who designed the cathedral and in what circumstances?

Yours, etc,  
JACKIE SEWARD,  
Baling Vicarage,  
11 Church Place, WS,  
July 3.

## Election recounts

From Mr E. R. Moseley

Sir, In his letter published on July 1, Mr Barry Henderson, MP, suggested that forfeiture of a deposit was not a legitimate ground for a recount.

Rule 47(1) of the Parliamentary Election Rules state: "A candidate or his election agent may require the returning officer to have the votes recounted or again recounted, but the returning officer may refuse to do so if in his opinion the request is unreasonable."

R. L. Leonard, in his book, *Guide to the General Election* states: "It is also permissible for a recount to be demanded by a candidate in danger of losing his deposit where the number of his votes is close to the minimum required even though the

majority of the leading candidate is numbered in tens of thousands."

It seems clear, therefore that a returning officer may not reasonably refuse a request for such a recount provided the number of votes is close to the minimum, and this is the view taken by the returning officers for the four Cardiff constituencies.

Yours faithfully,  
E. R. MOSELEY,  
City Solicitor,  
City Hall,  
Cardiff,  
July 3.

## Tired doctors

From Dr John Potter

Sir, — Mr Cecil Clothier has revealed (report, July 3) that one doctor fell

asleep on the job last year and that this had very serious consequences. This in itself makes a news story, but what were the exact circumstances?

It is not unknown for young hospital doctors to get little or no sleep for two nights, or even more. Mr Clothier recognizes that "overpowering fatigue is a familiar torment to many who work in the caring services." Though duty, as he rightly says, is not to be demised, sleep is nevertheless an almost inescapable consequence of fatigue that is overpowering.

Yours, etc,  
JOHN POTTER,  
Director of Postgraduate Medical Education and Training,  
John Radcliffe Hospital,  
Oxford,  
July 3.







## THE ARTS

## Books

Joseph Conrad:  
Times Remembered

By John Conrad

(Cambridge, £10.50)  
John Conrad was born in 1904 when his father, the maritime novelist, was 47. By then Joseph Conrad had been ashore eight years, had become a Kent, and had half a dozen novels behind him. *Notre-Dame* generally thought to be his masterpiece, appeared in the year of John Conrad's birth.

His book is a very odd book indeed. Of Conrad the high novelist we get only brief glimpses and quite unimpressive flashes. Instead there is a naive account of homey matters. First a young boy remembers his autocratic but benevolent father, then someone in his young teens looks at the same parent grown a bit older, much more prosperous, but not otherwise much changed. Finally a youth of 20 is awakened in the middle of the night by an elder brother: "Get dressed. Your father is dead." Not "Father is dead," you notice, but "your father," and the incongruity of the "your" maintains to the very end the pervasive naivety of Mr Conrad's book. Other sons have written of famous literary fathers: one thinks of Laforgue's "Quand vivait mon père," but Daudet, while keeping the reader conscious of the boyishness and youth of the narrator, contrasts it with the grown man's awareness that he owned a father gifted far beyond the common. Mr Conrad doesn't have the trick of this.

Mrs Conrad the mother — referred to throughout as Mrs JC — is a good cook, has a bad leg which obliges her to keep her leg up to a stool and is not quite so prosperous days — though even then quite surprisingly prosperous when you remember Conrad's scorn of belaboured poverty-seeking in manuscripts. And that's really all we discover about Jessie Conrad.

Mr Conrad lays no claim to being a literary man. In a preface which is charming and amusing he says that he has been persuaded to write as he has — notably by the late Richard Curle — because, small as it is, it is a great man stripped of all assessment, evaluation and critical preliminaries, should have some value. And indeed they often have. Although this book is little more than a recital of trivia, its honesty, unpretentiousness and sancta simplicitas give it an undoubted attractiveness.

David Williams

## Galleries

## Compelling magic of unexplained mystery

Michael Sandle

Fischer Fine Art

Graham Dean

South Hill Park Arts  
Centre, BracknellGilbert and George:  
Photo-Pieces 1971-1980

Whitechapel Gallery

Jo Brocklehurst:  
The London  
Drawings

Francis Kyle

H-Dieter Pietsch

Nicola Jacobs Gallery

Some artists are just very peculiar, and Michael Sandle is certainly one of them. Compared to what? One might inquire, echoing Barbara Graham/Susan Hayward's answer in *I Want to Live* to the prison nurse who cheerfully observes "Oh well, life's a funny thing." And indeed, these days particularly, how does one even begin to measure aesthetic peculiarity? Yet, for all the eclecticism of sources and resources permitted to artists of our age, there are remarkably few true originals: it sometimes seems that the main usefulness of all the movements which have so quickly succeeded one another on the art scene, since the dawn of Pop Art some 20 years ago, has been to provide artists with a greater variety of ways of being conventional.

It is an irony of Michael Sandle's personal peculiarity that he does not use, or even approximate to any of them. It is difficult to think even of anyone he could fruitfully be compared to: the only thing to do is to say that he is a little more than a recital of trivia, its honesty, unpretentiousness and sancta simplicitas give it an undoubted attractiveness.

eventually be monumental works. All of them seem to be conceived, one way or another, as monuments: the earlier ones, which combine Sandle's obsession with the Second World War and his obsession with Mickey Mouse in various strange and somewhat sinister ends, could be seen as aberrant and more than a little caustic war memorials; the later ones, assembled in Frogmole-like solemnity downstairs, are more like tombs, or at least catacombs, of the artist's *Cataglogue* (for Anton Bruckner), implying by their shape that a body might be lying beneath and sometimes, to judge by what appears to be bones and decomposing flesh, not so far beneath at that.

The drawings take up the same themes with the addition of more explicit depiction of the materials of warfare, sometimes atmospherically rendered with a lot of smoky chiaroscuro, sometimes with the cool precision of an engineering drawing. Sandle's art is clearly obsessive, and maybe, it is one is given to categorizing things in such a way, rather morbid. In its use of a complex net of visual and verbal associations, it is unfashionably literary; and, though there are abstracting tendencies in the sculptures, technically he belongs clearly enough to the classic succession of Alfred Stevens and Alfred Gilbert. The subject-matter so treated transports us straight away into a private world, with its own mythology, its own arcane system of signs and symbols. It is the best possible tribute to Sandle's art that it manages constantly to transmute private thought into public statement: we do not need to have the mysteries explained to us, since the overall gesture is so powerful that the ambiguities clinging about it (ambiguities no doubt also in Sandle's conscious mind) enrich without in any way muffling its impact.

Superficially, Graham Dean is easier to pigeonhole. One of Nicholas Treadwell's stable of artists, he is naturally representative, if not quite to the point of surrealism, and his work contains a lot of "human interest" — sometimes almost to the point of being anecdotal. Although to emphasize the connections, the show of his recent work which begins an extensive tour at South Hill Park Arts Centre, Bracknell, (until July 25) includes a selection of preliminary photographic studies for the paintings, as well as a film, *Undercurrents*, which follows wordlessly the development of his interests throughout the last year or so.

And yet his work too is odd, with an oddity more than



Jo Brocklehurst's Brett: a vivid document

immediately meets the eye. In broad terms you could say that his work during this period has been concerned with, if not obsessed with, skin. For there is a series of steam-bath images: a man and a woman steam themselves as an initial cleansing process. Then there are some very extraordinary pictures of people taking the sun on the deck of a cruise ship, often seen creeping around in what appears to be the almost unbearable heat like the deformed children Bacon found in Mybridge. Then, the aftermath: highly uncomfortable images of skin peeling and flaking and being torn off in agonizing strips. (Mercifully, the film confirms that Dean faked these scenes, like the steam-bath scenes, with a specific purpose in view, rather than finding his material ready-made.)

And so to the last and most striking series of images: large, black figures against black backgrounds, of variously ex-

otic men (Australian aborigines? Amazonian pygmies? Central Africans?) dappled and stippled in the most bizarre fashion, as though from the brush of Saurat, by the ravages of obscure tropical skin-diseases. No, that does not sound very nice. Nor, in most obvious senses, is it. And yet the abstract power of the image somehow neutralizes, if it does not completely destroy, the literary content and the power to turn stomachs.

In comparison, I have to say, the work of Gilbert and George strikes me as generally superficial and affected. Though their invariable suits, ties and highly polished shoes have got sprucer and better-fitting since they were first causing ripples of outrage and disbelief in the late 1960s, the world they and their work inhabit remains much the same. The newer pieces (at Whitechapel until August 16) are big and glossy and go in for social comment, featuring rude graffiti, work-

ing-class lads of various colours, and an occasional touch of cheap religion. It all has the air of a preening button to elicit conditioned responses, but I am not sure how many responses these days come on cue.

Figures from the world of punk occur also in Jo Brocklehurst's dashing *London Drawings* at Francis Kyle, Madox Street (until July 31). But while it is difficult to drive Gilbert and George's attitude to them beyond a generalized sigh at the sadness of mortality, suggested particularly in under-world titles like *Dying Youth*, Jo Brocklehurst leaves us in no doubt of her total, unapologetic enjoyment of the world. The drawings the whole collection will make a wonderfully vivid document of this moment, when punk is presumably about to be replaced by some other fad and meanwhile the bizarre clothes and coloured hair and elaborate make-up for boys and girls are having their last flare-up. Here and now, though, the drawings are the amazing confidence and speed with which these images are captured on paper, in the dazzling colours as they leap from the incisive, idiosyncratic line which owes perhaps more to Schiele than anyone else. And though the subjects are slightly glamorized, slightly caricatured, slightly character-coming-out-loud and clear. If these are nobodies who are awaiting the four seconds of stardom Warhol promises us all, they can rest assured: through Jo Brocklehurst they have undoubtedly found it.

There is really nothing much to be said about H-Dieter Pietsch (Nicola Jacobs, Cork Street, until July 25) except that his work turns its very limitation into a source of strength and fascination. He does only large watercolours on hand-made paper, hung unframed, which look like patches of chipped and ravaged plaster from the wall of some derelict building. They are all in pale, fawn greys, and often, though not invariably, they start with the illusion of completeness at the top then appear to be chipped away, a layer at a time, as the eye travels down them. On very close inspection (short of touching) it is impossible to tell how far this is the most refined of trompe-l'oeils, and how far the effect is created with real paint. There is undoubtedly something slightly perverse about so confined an art; but, as with Michael Sandle, the uncompromising oddity and the sheer force of obsession carry it through.

John Russell Taylor

Cheltenham  
FestivalMenuhin School/  
Norris

Ladies' College

The Cheltenham Festival has been quick to provide its continuing advocacy of the cause it has pursued so zealously since its inception, that of the living composer. Seven first performances are included in this year's festival, and Erika Fox's *Litany for Strings*, appeared in the opening concert by the Yehudi Menuhin School string orchestra in the Princess of Wales Hall on Sunday. The composer conducted. The title derives from the work's relationship to elements of Jewish liturgical prayer. The music is a series of instructions about instrument positioning and execution, all of them important in a work depending on the realization of atmospheric effects and the reconciliation of the abstract with the explicit.

The basis is a continuing melodic line which each player is instructed to interpret individually, but the composer demands a singing sound) are the richest. Sometimes too fragmentary and generally a little too long completely to sustain the attention, *Litany* is nevertheless constantly inventive, always ear-catching (sometimes magically so) and clearly the product of a creative musical personality.

Conducted by Peter Norris with a quick ear for refinements of balance, the Menuhin School Orchestra impressed as an instrument of keen discipline, high technical prowess and collective musicality. Clearly the school is rich in viola players; Sophie Renshaw gave a neat account of Stamitz's concerto in D and Carlos-María Rodriguez a most poetically felt performance of Britten's *Lachrimae*.

The concert of the Berlin Symphony (GBR) conducted by Theodor Kuchar, took place in the hall on Sunday evening was the first appearance of a foreign orchestra at the festival for more than a decade. It could have been the hall's tendency to reverberate, but the *Tannhäuser* overture sounded even more rhetorical than usual.

During the Mahler Symphony No. 4, the impression persisted that the orchestra was happier when total virtuosity rather than subtlety was the order, though Grant Johansen's playing was exceptional, particularly his command of keyboard colour in the night-sound Adagio.

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And there's a nice touch of continuity: I was a boy in that marvellous 1973 Pasco/Richardson *Richard II* and now I'm Bolingbroke. In a way those rehearsals have been going on for eight years.

Sheridan Morley

Kenneth Loveland

## Jazz

Everything sounding  
new and adventurous

Gil Evans Orchestra

Bracknell Festival

Somewhere between an open rehearsal and master class, a concert by Gil Evans is an admission that, to the creative musician, work is always in progress. The supreme jazz orchestra leader, Evans has a reputation to make a pretence of definitive treatment; this may be disconcerting to those who want the big-band tradition of emphatic precision, but it allows his concerts to become living entities rather than polished museum pieces.

On his previous tour, three years ago, Evans astonished us with the extraordinary detail he drew from a 14-piece orchestra. On Sunday night at South Hill Park, leading an ensemble of 11, he surprised us again, this time by the deployment of a rhythm section whose collective heart seemed to be rooted in the urgent, snappy phrasing of contemporary funk.

The work of Hiram Bullock (guitar), Don Paté (bass guitar) and Omar Hakim (drums) drew largely from a palette of primary colours, perhaps suggesting what Evans's ill-fated collaboration with Jimi Hendrix might have sounded like. Not that any of them was insensitive to the idiom of the music, and Evans seemed to revel in the urgency with which they attacked. Hendrix's "Stone Free" culminated in a wild free-form funk duet between guitar and bass.

Richard Williams

Concerts in London  
Ravel out of focus

LSO/Previn

Festival Hall

André Previn's series of Ravel concerts with the London Symphony Orchestra ended on Sunday with the two one-act operas. Both are so vividly scenic that, concert performance make one long for stage productions in these isles, though past public apathy must have scared off opera companies away: one had to be grateful to the LSO and Previn for letting us hear them in the concert hall, and done with plenty of verve.

*L'heure espagnole* resembles a Feydeau farce: the clock-maker's pretty, sex-starved wife has her lover carried upstairs to her bedroom in grandfatherly clocks, during her old husband's weekly absence on civic duty, by a passing muleteer whose muscularity soon causes her to "prick" him.

Previn and the LSO revelled in its sensuous swoops and colours, and the cast was blessed with Anne Howell's enchanting Concepcion, and Julia Bavin's superb elderly financier-lover whether in *bel canto* or wit.

The Songmakers have done it again, another bouquet from the garden of song. Their new programme on Sunday, *Toutes les Fleurs*, was an anthology of flower songs, from the troubadours to the good quarter of the repertoire, for flowers, whether golden daffodils or *fleurs du mal*, have always been easy subjects for the poetic fancy.

The tenor Julian Pike was similarly fresh in his approach, his tone unforced and his manner engaging. When he was singing, whether the composer was Beethoven or Ravel, one had the impression that the song was being created at that moment, severed from history and brought to the platform still moist and new. He was also an excellent partner for Miss Smith in what was for me the most bewitching discovery of the evening, Chausson's "Reveil".

But I would not have missed either the swayer artistry of the Songmakers' regulars, Richard Jackson and Graham Johnson, of whom the latter, combined gardener and florist, both devised the entertainment and accompanied with piano sound as fine as fern.

Paul Griffiths

Songmakers' Almanac

Purcell Room

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The Songmakers have done it again, another bouquet from the garden of song. Their new programme on Sunday, *Toutes les Fleurs*, was an anthology of flower songs, from the troubadours to the good quarter of the repertoire, for flowers, whether golden daffodils or *fleurs du mal*, have always been easy subjects for the poetic fancy.

The tenor Julian Pike was similarly fresh in his approach, his tone unforced and his manner engaging. When he was singing, whether the composer was Beethoven or Ravel, one had the impression that the song was being created at that moment, severed from history and brought to the platform still moist and new. He was also an excellent partner for Miss Smith in what was for me the most bewitching discovery of the evening, Chausson's "Reveil".

But I would not have missed either the swayer artistry of the Songmakers' regulars, Richard Jackson and Graham Johnson, of whom the latter, combined gardener and florist, both devised the entertainment and accompanied with piano sound as fine as fern.

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**BELL'S**  
SCOTCH WHISKY  
**BELL'S**

§ Forward bargains are permitted on two previous days.

[illegible]



**Economic Sense**  
**Contract Hire and Truck Rental**  
Wincanton  
Vehicle Rentals  
01-992 3400

**Stock markets**  
FT Index 540.8 down 7.2  
FT Gilts 54.67 down 0.84

**Sterling**  
\$1.9005 up 70 pts  
Index 93.2 up 0.7

**Dollar**  
Index 110.6 up 0.8  
DM2.4502 up 35pts.

**Gold**  
\$404 down \$10

**Money**  
3 mth sterling 13-12½  
3 mth Euro 5 18-18½  
6 mth Euro \$ 17½-17½

**IN BRIEF**  
**Union chief criticizes NNC post**

The appointment last week of Mr Frank Gibb as part-time chairman of the National Nuclear Corporation has been criticized as "a stopgap decision" that resolves no basic problems.

Mr John Lyons, general secretary of the Engineers and Managers Association, said, "We hope it will succeed but if it does not then the Nuclear Corporation should probably be abolished."

He also questioned the value of the appointment of Dr Walter Marshall to lead a task force on design proposals for the Sizewell "B" Pressurized Water Reactor nuclear station.

Mr Lyons said: "Both these decisions have a patchwork quality about them. They are not the result of any deep consideration about the flawed organization which has been set up to which successive governments have given inadequate attention."

**Mystery share buyer**  
William Collins and Sons (Holdings), the publishers, said last night that they were trying to identify the buyer of 225p of its shares above the 225p bid price being offered by Mr Rupert Murdoch's News International.

Stockbrokers Sheppards and Chas bought 2,500 voting shares at 227p and 25,000 non-voting shares at 163p on Friday for an associate of William Collins.

But Collins and their advisers J. Henry Schroder Wagg said they could not identify the buyer.

**£6m Chloride stake**  
A 14.9 per cent stake in Chloride, Britain's biggest battery makers, has been bought for £6m by Australian Mining & Smelting, AM & S, the world's second largest lead producer, which is wholly owned by CRA, itself a subsidiary of Rio Tinto-Zinc.

The shares will be held as an investment and the company does not intend to increase its shareholding.

Financial Editor, page 19

**£1.39m tax ruling**  
The Inland Revenue has won a High Court test against Mr Albert Gubby, who sold out his Kwik Save discount grocery chain, for nearly £12m, prompting a Department of Trade in to avoid paying £1.39m in tax that arose from a gift of Kwik Save shares to his wife in 1972.

**Record credit growth**  
Bank of Italy plans to curb credit growth by 12 per cent in 1981 have missed their target by an embarrassing margin. Heavy state sector borrowing spurred a 21.2 per cent expansion of credit between March 1980 and March 1981, the fastest growth on record.

**Pessimism on Italy**  
The Organization for Economic Cooperation and Development has said that there is little chance of a substantial recovery in the Italian economy before the end of 1982. It predicted that economic stagnation and high inflation will make for difficult wage negotiations between 1982 and 1984.

**C & W promotion**  
Mr Eric Sharp, part-time chairman of the State-owned Cable Wireless since February, is to become full-time chairman and chief executive, it was announced yesterday. The Government is expected to sell 49 per cent of the company's shares after the Telecommunications Bill's final reading today.

**Wall Street down**  
The Dow Jones industrial average closed 9.89 points down at 949.30 on Wall Street yesterday. The exchange value of the pound against the SDR was 0.603844 and the dollar against the SDR was 1.3703.

**PRICE CHANGES**

<b>Rises</b>			
Asa Leisure	4p to 120p		
ROC	4p to 136p		
Chloride Grp	3p to 35p		
Diploma	5p to 210p		
Finlay J	7p to 141p		
<b>Falls</b>			
Berkley Hamro	10p to 278p		
BP	10p to 236p		
GCC	17p to 743p		
Hammerson 'A'	15p to 645p		
Lans Secs	10p to 404p		

Gordon Luis	41p to 40p
Holmes	6p to 112p
Hoover	5p to 149p
Patterson R	4p to 79p
Satchell	10p to 338p

Leslie	7p to 93p
Mercantile Hse	20p to 838p
Shell Trans	10p to 350p
Sun Alliance	15p to 916p
Tube Inv	12p to 138p

# Business News

THE TIMES July 7 1981

## Du Pont sets record with \$7,300m bid for Conoco

From Frank Vogl, Washington, July 6

America's Du Pont chemical company has offered \$7,300m (£3,882m) for the Conoco oil and coal company in the largest business takeover bid in American history.

The move took Wall Street by surprise. The two companies began talks on June 25 and had completed the details within a week.

E.I. Du Pont de Nemours and Company, the largest chemical company in the United States, and Conoco Incorporated, the ninth largest American oil company and second largest American coal producer, have total annual sales of well above \$30,000m and employ more than 170,000 people.

One of Conoco's biggest investments is in the Murchison field in the North Sea.

Du Pont will pay Conoco about \$3,000m for 40 per cent of Conoco's shares and exchange 1.6 Du Pont shares for each of the remaining Conoco shares.

The offer is said to represent a value of \$87.50 for each Conoco share. Du Pont said it is borrowing \$3,000m from the bank.

Du Pont, which relies on petrochemicals as raw materials for 70 per cent of its product line, has become increasingly worried about unstable energy prices. In the mid-1970s, it has talks on a joint venture with the Atlantic Richfield oil company and, this year, signed an agreement with Conoco to buy natural gas.

In a letter to shareholders recently, Mr Edward Jefferson, who became Du Pont's chairman on May 1 after 30 years with the company, stressed the need to ensure more secure energy supplies.

Today, Mr Jefferson said the planned merger would tend to reduce the exposure of the combined companies to fluctuations in the price of energy and hydrocarbons.

Du Pont has done extensive work in coal conversion and is using its technology to build a plant in the state of West Virginia. Mr Ralph Bailey, Conoco's chairman, said: "Du Pont's sophisticated research and engineering skills will be a major asset to us in developing the full potential of coal as a vital domestic source of energy in the future."

Du Pont is smaller than Conoco in sales terms but the oil company has been desperate for a merger to save it from Seagrams of Canada, the world's largest distillers.

On June 25, Seagrams offered \$2,500m, or \$73 a share, for 41 per cent of Conoco and that day Conoco started its talks with Du Pont. At the same time, Conoco ended merger talks with Cities Service Company, the Oklahoma oil company, which did not want to face a battle with Seagrams.

The American Justice Department's anti-trust division is bound to study the merger but is most unlikely to block it, Mr William Baxter, its head, said recently that he has no basic opposition to large mergers.

He said he would determine whether to block mergers on the basis of commanding market shares and would always study the economic and not just the legal aspects.

Shareholders' meetings of both companies will be necessary before the merger is complete.

Seagrams, which has more than \$3,500m available for acquisition, is unlikely to top the Du Pont bid and Wall Street is expected to start speculating on its next target for a takeover.

Conoco's world wide oil exploration is unlikely to be interrupted by the merger. It had total sales last year of \$18,766m, an increase of \$5,700m on 1979 and it also produced 44.9 million tons of coal.

Conoco has a 29.54 per cent stake in the Murchison field, where it is the chief operator of a consortium that includes the British National Oil Corporation.

Du Pont sales last year rose by about \$1,100m to \$13,652m, but its profits fell by nearly a quarter to \$760m.

The company stressed today that it would continue its research on genetic engineering and life sciences, where it is a world leader.

Wall Street shaken, page 19



Felixstowe: More than 500,000 containers are expected to pass through the port this year.

## Felixstowe becomes top container port

From Michael Bailey, Felixstowe

Felixstowe has overtaken London as Britain's top container port. A new £32m container terminal was opened at the private enterprise port by Mr Norman Fowler, Secretary of State for Transport, yesterday. It will double Felixstowe's capacity to 750,000 20-ft boxes a year compared with London's capacity of about 500,000. Actual traffic last year was 500,000 through Felixstowe compared with about 450,000 through London.

Felixstowe was founded only 30 years ago by a corn merchant,

but it has experienced a remarkable growth in a generally declining industry. It was the subject of a fierce takeover battle between European Ferries and the British Transport Docks Board in the mid 1970s. European Ferries won and has since linked up with Hongkong's C. Y. Tung Group which has provided £25m of the cost of the new terminal.

Helped by a good geographical position between Europe and the industrial Midlands, Felixstowe has gone from strength to strength while Lon-

don declined. But another of its strengths, the fact that it is right away from other port areas and outside the dock labour scheme, is under threat and the port had its first big strike recently.

Dockers elsewhere want to force Felixstowe into the dock labour scheme and the local men are torn between the security that would provide and the prosperity they have enjoyed up to now.

Dockers have been earning as much as £200 a week and the management says this could

have doubled with the expansion now taking place.

Management attempts to revise the agreement have so far produced only an uneasy truce, exacerbated by attempts by dockers in Southampton to block the big Dart container line which recently moved to Felixstowe.

The new terminal was described by Mr Keith Wickenden, the European Ferries chairman, yesterday as the most modern in Europe. Mr Fowler said Felixstowe showed just what could be done in this country.

## Barclays reshuffles top posts



Mr. Roy Vine, Chairman of Barclays Bank.

In a big reshuffle of senior posts at Barclays Bank, Mr John Gorton (above) has been made a director of the bank and, at 51, becomes its youngest senior general manager.

He succeeds 58-year-old Mr Roy Vine, who held the post for just over two years after the retirement of Mr Douglas Hooper.

There is some suggestion now that Mr Gorton could become a strong candidate for the chairmanship of the bank when it falls vacant.

He joined the bank 31 years ago in his home town of Norwich, was seconded to the Economic Studies department of the Societe Generale in Paris in 1960.

Mr Vine is to become a vice chairman of Barclays Bank UK. He was appointed a director of the UK bank in 1974.

Barclays also announced that Mr Owen Rust, senior local director of Barclays' Leeds district, will become a general manager and that Mr Humphrey Norrington, a regional director, will become a general manager and a director of Barclays Bank UK.

## EEC doves win on interest rates

From Peter Norman, Brussels, July 6

European Community finance ministers held back yesterday from pursuing a hard line with the United States over its interest policies and their impact on European economies and exchange rates.

Against a background of disagreement between Sir Geoffrey Howe, the Chancellor of the Exchequer, and his French and Italian counterparts over the extent of European antagonism towards the United States, the meeting decided to call for a more moderate approach.

The impact of American interest rates in preparation for the Western economic summit in Ottawa in two weeks.

Sir Geoffrey said after a meeting of the Economics and Finance Ministers Council that there had been agreement that the EEC representatives should take a constructive approach, seeking areas of common ground.

The ministers said that the Europeans could do much in their own economic management to offset the effect of volatile American rates, but agreed that they were a cause of concern.

Mr Jacques Delors, the French economics minister, told the council that the United States' high interest rate policy and its impact on the dollar had

the effect of a "third petrol shock". The Italian minister claimed that the dollar's rise had added three to four percentage points to his country's inflation.

Mr Nigel Lawson, the Financial Secretary to the Treasury, said there had been a "coalescence of tone of voice" among the ministers.

The four EEC representatives at Ottawa, Britain, France, West Germany and Italy, would speak in harmony, but they would not be aggressive.

The ministers agreed that President Reagan should be supported in his fight against inflation.

## Increase in value of Deutsche mark urged

From Our Own Correspondent, Brussels, July 6

West Germany's Council of Economic Advisers and the Organization for Economic Cooperation and Development (OECD) would like to see a rise in the value of the Deutsche mark.

In separate reports published today, the "five wise men" of Bonn urge a higher valuation of the mark in the European monetary system, while the Paris-based OECD hopes that an improvement in Germany's external balance over the next 18 months will bring to an end the downward pressure on the currency.

But neither body sees a rapid recovery in the West German economy. The council of advisers expects that gross

national product will at best stagnate in real terms this year and could drop by 1 per cent.

The OECD believes that the decline in activity which started in the second half of last year will continue this year and any recovery in 1982 will be insufficient to produce a drop in unemployment.

The OECD report makes clear that high interest rates are playing a crucial role in limiting Germany's growth prospects. It argues that a 3 percentage point reduction in interest rates could lift real gross national product between 75 and 1 per cent by the end of next year.

Nasty jolt, page 19

## Britain wins £5m rail track contract with Iraq

By Rupert Morris

A £5m contract to supply railway track materials to Iraq has been won by a consortium of British companies.

The contract is the biggest ever such order and will be welcomed by the Department of Trade, which concluded an agreement with Iraq 13 days ago.

It involves two companies, Railway Mining and Plantation Engineering, a subsidiary of the Thos W. Ward (Railway Engineers), who are to supply 500 points systems, with spare parts, to the Iraq Republic Railways Organisation.

The order, won against European and Japanese competition, is seen as a breakthrough for a new points system designed by Thos W. Ward.

The design, known as Thick Web Versatile, enables the points system to be adapted to a lighter rail, widely used in

Iraq, unlike the standard European system. It was designed in close collaboration with the Iraqis, and is being developed elsewhere with British Rail.

The deal was the result of nine months' negotiation in a market hitherto dominated by European companies.

Mr Eric Marwood, marketing director of Thos W. Ward, the Nottingham subsidiary of the Thos W. Ward group, said: "We have proved that we can break the stranglehold which continental manufacturers currently have on world markets."

"The is no reason why, with similar effort and entrepreneurial flair, we cannot break into other closed markets."

He added that the British railway industry would benefit considerably from spin-off orders.

## Pipeline delay 'wasted £500m'

By Rupert Morris

The Government wasted £500 million by failing to give prompt backing to the North Sea gas-gathering pipeline, Sir Denis, chairman of British Gas, said yesterday.

Sir Denis, answering questions from the Parliamentary Select Committee on the Treasury and Civil Service, said: "Without the delay, British Gas would have been able to secure better interest rates, and would have gained ground against oil production."

"The Government's scheme to have the pipeline jointly financed by British Gas (30 per cent), financial institutions (30 per cent), the public (20 per cent) and the oil and petro-

chemical companies (20 per cent) is understood to have run into trouble when the oil companies were unwilling to support the venture without subsidies."

Sir Denis said the Government was trying to introduce a "totally new concept of privately financing a public utility", and made his scepticism quite clear.

He also told the committee that he had had to postpone projects because of the Government's external financing limits, which he regarded as too inflexible.

He pointed out that British Gas could be curbed from overspending but was never rewarded for understanding. He said this was a disincentive to save money.

Sir Denis said the financing of the 572-mile gas-gathering pipeline should be kept separate from the corporation's main budget.

□ Sir Peter Parker, chairman of British Rail, told a Commons

select committee yesterday that the Government's external financing limits on nationalised industries needed to be applied more flexibly if they were to retain credibility. (John Whitmore writes.)

Sir Peter said that at present long-term projects could not be fitted into the requirements of short-term targets.

Sir Peter said that in particular, British Rail wanted a clearer distinction made between the Government's roles as customer and banker. He stressed that the large Government grants to the railways should be looked upon, not as subsidies, but as payments for services. If the Government did not wish to make those payments, then it should say so and British Rail would take the necessary action, he said.

In a memorandum to the Treasury committee on nationalised industries, British Rail says that private sector capital could be introduced and tied to specific projects.

## Jobs to go at Babcock foundry and Hoover

By Nicholas Cole

At least 255 jobs will be lost through the closure of a foundry at Gloucester, and more than 100 workers have offered to give up their jobs in a voluntary redundancy scheme at Hoover's Merthyr Tydfil domestic equipment plant in South Wales, however, 300 jobs will be created at a new computer centre for the Midland Bank.

The jobs being lost at Gloucester comprise the entire workforce of the only foundry in the Babcock International engineering group, which blames the closure decision on the depressed state of the engineering industry and a downturn in orders from the motor industry.

The foundry made trading losses of £1.1m in 1980, and losses have continued at a similar rate this year. Mr Thomas Carille, deputy chairman and managing director, disclosed yesterday. There was no indication of any improvement, and the group said it had no alternative but to close the foundry.

Orders outstanding for customers including B.T. International Harvester and Massey-Ferguson will be completed. Closure is expected within four to five weeks. Redundancy discussions began yesterday, but terms will not be agreed until the unions have been consulted, Babcock International said.

A spokesman added that in view of the number of foundry closures in Britain, it was unlikely that the Gloucester plant would be sold as a going concern.

Hoover has called for an unspecified number of voluntary redundancies among all levels of the 4,000 staff at its washing-machine factory in Merthyr Tydfil, mid-Glamorgan.

Up to yesterday morning, more than 100 employees had volunteered to relinquish their jobs on terms which will provide them each with 10 weeks' money tax-free, in addition to the statutory entitlement.

Although the Merthyr plant has been on short-time since last September because of reduced market demand and competition from cheap imports, the need for redundancies there also arises from technological changes.

The company has no figure in mind on the number of redundancies required. Hoover has reduced the workforce at its three United Kingdom plants by about 1,500 over the past year.

Up to 300 jobs will be created at Tankersley, near Barnsley, following the completion later this year by the Midland Bank of its South Yorkshire computer centre. This is designed to replace units in London and Pudsey, and to serve the bank's international and head office divisions.

The Lea Works primary and plate mills at Wednesbury, Staffordshire—part of the former Parent Steel Works plant, which closed a year ago—has been purchased for £2.4m cash by Wiggin Alloys of Hereford. Its re-opening will create 50 and 70 jobs.

Wiggin Alloys, which is within the Canadian-based Inco-mining and metals group, plans to open the mills early next year.

## COCOA PRICE BOOSTED BY PACT HOPE

By Michael Priest

Cocoa futures rose to more than £1,000 a tonne in London yesterday for the first time in almost nine months. Most contracts gained about £50, encouraged by the belief among dealers that a new international cocoa agreement will come into operation. In otherwise dull commodity markets cocoa also attracted increased speculative interest.

July delivery cocoa was up by £57.50 to £1,057.50, while September delivery rose by £51 to £1,023.50. Cocoa analysts said that the market viewed the agreement reached between some producers and consumers last week as a political deal which was necessary to the future of other commodity agreements.

### CARLESS

CARLESS, CAPEL & LEONARD LTD

#### Results year ended 31st March

	1981 £'000	1980 £'000
<b>TURNOVER</b>	57,634	63,735
<b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>		
AND TAXATION	3,089	6,895
Exceptional items	1,704	(630)
<b>PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM</b>	4,803	6,265
Taxation (recoverable)/payable	(284)	2,293
<b>PROFIT AFTER TAXATION AND BEFORE EXTRAORDINARY ITEM</b>	5,087	3,972
Extraordinary item	—	370
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>	5,087	3,602
Dividends	1,357	1,256
<b>PROFIT RETAINED</b>	3,710	2,346
Shares of 10p each, in issue ('000)	49,350	39,480
Dividends per share: special interim	—	0.6826p
Interim	1.00p	0.80p
Final proposed	1.75p	1.70p
	2.75p	2.50p
<b>Historic cost earnings per share</b>	10.7p	9.6p
<b>Current cost earnings per share</b>	5.4p	2.7p

The directors are pleased to recommend a final dividend of 1.75p per share making a total of 2.75p per share in respect of the year to 31st March 1981.

The Annual General Meeting will be held on 8th July, 1981 and the final dividend, if approved, will be paid on 22nd July, 1981 to shareholders registered on 25th June, 1981.

Copies of the Report and Accounts are available from the Secretary, Carless, Capel & Leonard Ltd., 70/74, Cannon Street, London, EC4N 6DB.

Petroleum Chemicals and Fuels  
International Oil and Gas  
Exploration and Production



# Bell Group raises holding in ACC

By Margaret Pagano

Mr Robert Holmes a Court, the Australian entrepreneur who controls the expanding Bell Group, yesterday increased his stake in Lord Grade's Associated Communications Corporation to 16.68 per cent of the non-voting shares.

Lord Grade, ACC chairman, reacted with delight: "I am delighted and not surprised. I don't mind anybody buying the group's shares. It expresses faith in the company, and Mr Holmes a Court can buy up to 50 per cent if he wants," he said. "He realizes that although we have had one bad year we are going to recover". Speculation centred last night on what Mr Holmes a Court plans to do with the stake acquired through Bell's two associate companies, TVW Enterprises and Western Mail. Bell, the Perth-based industrial holding company with interests in earth moving, quarrying, freight and coal, owns roughly 40 per cent of the associates.

In May, through TVW, the Perth television station, it bought 5 per cent of ACC's non-voting shares. Yesterday TVW added 9.68 per cent and paid \$4.5m (£2.8m) for the 5.25m shares, to raise its holding to 16.68 per cent.



Lord Grade, chairman of ACC: "I am delighted".

Western Mail bought 3.8m shares for \$4.1m. ACC's shares eased up to 52p on the news but are recovering from the 11p fall to 47p when ACC announced sharply lower profits after heavy firm losses and passed the final dividend at the end of June. ACC has taken drastic measures—it has mortgaged forward television contracts such as the Muppets

—to offset the £26.4m loss on feature film. Australian brokers agree that Mr Holmes a Court's business reputation points to a record of buying up to 30 per cent of a company and holding until a bidder appears. That a bid could be mounted from Bell for ACC is not suspected, but suggestions are that Mr Holmes a Court might be

interested in board representation or joint ventures with ACC.

Lord Grade, who has met Bell's chairman only briefly, said that the idea of board representation was out of the question. He compared ACC's "bare voting structure to the Savoy Hotel group. "Look what happened to Sir Charles Forte," he said.

Mr Holmes a Court, who added in his bid last year for 5 per cent stake in Rugby Portland Cement. His interest is said to rest on Rugby's own near 60 per cent holding in the Western Australian cement producer, Cockburn.

Mr Holmes a Court, who is in his early forties, is thought to be one of Australia's richest men. In 1970 he acquired Western Australia's Woolen Mills, founded in 1923, and in 1974 successfully bid for the present core of the group, Bell Brothers, changing its name to Bell Group. Bell's market capitalization is around \$66m, relatively small by Australian standards, but it is one of Perth's fastest growing companies.

## Payout cut after loss at May & Hassell

By Catherine Gunn

Falling timber prices and high stock levels are blamed for a £3m turnaround from profits to losses of £10.1m before tax at May & Hassell, in the year to March 31. The timber merchant is paying a gross dividend of 4.71p, against 6.57p in 1979-80, after a £1m tax credit and extraordinary credit of £346,000, and some minority profits. Its shares eased 2p to 75p yesterday.

The timber importing side, which accounted for two-fifths of the £49.8m turnover, lost more than £1m, while the merchant and retail outlets made small contribution. May & Hassell intends to increase its retail side. "We aim to get nearer the consumer," Mr Peter Ball, company secretary, said yesterday.

Timber prices, which fell last year and squeezed the group's margins, steadied at the start of the year, allowing margins to improve. At the interim stage last year May & Hassell made just £101,000, down from £852,000, and had hoped for a better second half. Indications are that it has now returned to profitability, but probably break even in the first half to end-September, Mr Ball said. No more tax credits are available now.

At the year-end, borrowings had been reduced from £17m to £12.1m, and stocks were £5.6m lower at £12.2m. The group is now restocking at lower timber prices. Interest on further North Sea debt has fallen to £2.5m, down from £2.7m.

The group sold its interests in Zimbabwe, Malawi and South Africa last year for about £1.3m, making a £346,000 profit shown as an extraordinary item. The consideration is due over a period of between two and seven years.

## NCC sells its stake in Hampton

By Philip Robinson

Mr Graham Ferguson Lacey's NCC Energy group yesterday sold its 22.9 per cent stake in Hampton Gold Mining Areas for £8.4m.

The stake, bought 15 months ago at 32.5p a share before Hampton's one-for-four rights issue, was placed with 45 institutions by stockbrokers Rowe & Pitman at 20.3p, a 10 per cent discount on the market price. Hampton's price closed last night at 22.3p.

Mr Lacey has also sold two other stakes which were placed with the 5 per cent stake in the 1979-80 year, a 10 per cent discount on the market price. Hampton's price closed last night at 22.3p.

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## Stock markets

# Gilts tumble on prospect of MLR increase

The strong possibility of a 2 per cent increase in the Minimum Lending Rate on Thursday sent a shiver through the market yesterday.

Government securities suffered heavy casualties with losses of more than £1 in some cases as prospects for an end to the recession appear to be growing dimmer.

Further evidence of this was seen with the June Wholesale Price Index which rose by 0.8 per cent, while the falling pound pushed the price of raw materials for manufacturers up by 1.5 per cent.

Selling was also accelerated by the news that the Bank of England was forcing discount houses to borrow money in the market over and above the current MLR rate. This, coupled with last week's news of the second £1,000m index-linked Treasury bill, pushed the price of gilts down to 130p, after figures. Associated Leasing managed to hold on to a 4p lead at 120p after disappointing trading news but May & Hassell shed 2p to 75p following its trading loss.

Awaiting figures soon, Dowry lost 10p to 284p. Initial Shares 6p to 213p and Inchcape 7p to 418p, but Sonic Sound, reporting Thursday, rose 3p to 112p.

In electricals, Chloride put on 3p to 30p after CRA picked up 15 per cent of the equity in a put-through, arranged by the company's directors, around 2p above the market price. Chloride recently reported losses of more than £10m.

Berec improved 3p to 61p on comment but the rest of the sector came in for heavy selling pressure, after recent good news. The price of the sector fell 1p to 743p in the wake of recent figures while Thorn EMW, reporting on Friday, dipped 8p to 388p, with Plaxley falling by a similar amount to 330p.

Whitbread Electrical returned from suspension 3p to 118p. Monday produced the usual crop of weekend press features.

Equities also appeared perturbed by the prospect and prices drifted throughout most of the day as jobbers took up defensive positions. The FT Index closed at its low point, 722, off 54.0.

Heavy selling developed in electricals, where investors decided to take their profits after last week's good gains. Oils, too, were friendless with reports of further North Sea cutbacks in production leaving prices sharply lower.

Leading industrial remained depressed with Tube Investments leading the way down. Predictions about the month's figures lopped 12p from the price at 138p. ICI lost 6p to 276p, Becton 2p to 223p, British Aerospace 7p to 231p, Hawker Siddeley 7p to 334p, and Pilkington 5p to 321p. But against the odds, Unilever hardened 1p to 591p.

## Latest results

Int or Fin Company Sales Profit Earnings per share Dividend Pay date Year's total

Assoc Leisure (F) 44,251,331 4,641,531 14.33(14.31) 3.2(3.3) 11/8 5,251(5.1)

Eastern Pr educe (F) 17,117,839 1,711,839 5.14(5.14) 3.2(3.2) 11/8 5,251(5.1)

James Latham (F) 23,129,581 2,312,958 4.04(2.1) 4.65(5.75) 11/8 8,019(1)

May & Hassell (F) 49,816,131 4,981,613 1.01(2.0) 0.65(2.7) 11/8 3,314(1)

Mercantile House (F) 38,581,047 3,858,104 7.15(3.5) 12.5(18.3) 21/8 17,511(12.5)

R W Toothill (F) 11,124,347 1,112,434 11.12(12.4) 11.12(12.4) 21/8 17,511(12.5)

Dividends in this table are shown net of tax on per share basis. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply the net dividend by 1.428. Profits are shown pretax and earnings are net. —=loss.

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## First-ever loss for J Latham

James Latham, the timber merchant, sank into first-time losses last year, but a final dividend has been proposed.

Pre-tax profits of £982,000 in 1980 slipped into losses of £211,000 in the year to March 31. Turnover fell by 6m to £23.1m and Mr Michael Latham, the chairman, said that the low level of sales throughout the year was a significant handicap as the recession gripped virtually every consuming industry the group serves.

Excess stocks and the high level of sterling hit the soft-wood trading operation which suffered more in the second half. "This offset progress made in other sectors where lower borrowings and reduced expenses had begun to produce an improved performance," Mr Latham said.

This year the fall in sales has levelled out and June was quite a good month. A final dividend of 6.54p gross is proposed, against 8.2p, making a total of 11.4p, compared with 12.9 gross.

## AE and Lontrim seek USM quotes

Two groups, Aerospace Engineering and Lontrim Group, yesterday announced plans to raise fresh equity capital and join the United States Markets. AE wants to raise £2.45m by floating off two-fifths of its equity, while Lontrim, suspended from trading under Rule 163 (2) in October last year pending an acquisition, revealed details of a reorganisation, a £258,000 rights issue, a £473,000 placing, and a change of name before seeking a new quote on the USM.

Aerospace Engineering is owned and run by Mr Ronald Mercado who through stockbroker Greene & Co, is offering 1.6m shares for sale at 153p, which values the whole group at £6.12m. He will retain 60 per cent of the shares. The group makes and assembles components for the aerospace industry, supplying the European Airbus and the Nimrod military aircraft, among others. It is forecasting profits before tax of not less than £900,000 in the year to next April 30, against £805,000, and dividends of 10.7p gross for the year. Applications must be in by July 14.

## Business appointments

# Sperry Univac UK names new vice-president

Mr Bill Read has been made vice-president and general manager of Sperry Univac UK. Mr John Buddle has been seconded to the Department of Industry as deputy director of the Industrial Development Board. Mr Peter Gregson leaves the Department of Trade at the beginning of August to become head of the economic secretary at the Cabinet Office. His responsibilities for marine, shipping and civil aviation matters will be taken over by Mr William Kingston, who will continue to have responsibility for competition policy and consumer affairs.

Professor Hubert Curien (France) has been elected as chairman of the Council of the European Space Agency. Dr H. H. Adkinson (United Kingdom) and Dr H. Grage (Denmark) are now vice-chairmen.

Mr J. S. Hamann, a main board director of Aurora Holdings, has been made chief executive of the steel division from September 1. Mr P. M. Wright becomes chief executive of Aurora's forgings and castings division.

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## Briefly

R. W. Toothill (furniture manufacturer): On sales up from £2.98m to £3.68m. R. W. Toothill made a pre-tax profit of £117,000 in the year to March 31, 1981, against a pre-tax loss of £117,000 in the preceding year. Total payment: 5p gross (all last time).

British Benzol Carbonising: The investment trusts and other clients owned by the group have disposed of their aggregate holding of 2.3m shares (27.1 per cent). The shares were sold to the English Association Trust and Fiske and Co. Brit Investments, which already held 470,000 shares, now holds 2.33m shares (24.6 per cent).

United City Merchants: Carr Sebag has bought 250,000 ordinary shares at 39p and 1m at 39.27/32p on behalf of the Arab Asian Group of Bahrain.

Research International to acquire Marplan: Research International and the Interpublic Group have entered into an agreement in principle to acquire Marplan, a market research company of Interpublic, in the United Kingdom and Germany. The acquisition is subject to the agreement of the Cartel Ministry in Germany.

RETAIL SALES: The following are the seasonally adjusted figures for the volume of retail sales and the value of retail credit released by the Department of Trade.

Year	Qtr	Volume (100)	Value (£m)
1980	Q1	110.2	2,049
1980	Q2	109.2	1,964
1980	Q3	108.9	1,933
1980	Q4	108.0	1,783
1981	Q1	112.7	1,884
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1,857
1981	Q1	108.5	1,857
1981	Q2	108.5	1,857
1981	Q3	108.5	1,857
1981	Q4	108.5	1



BY THE FINANCIAL EDITOR

## Pressure mounts on interest rates

After all the weekend speculation that the Government would not be averse to a raise in interest rates if that were the only way of preventing a headlong decline in sterling, financial markets were in the right frame of mind to react to the Bank of England's intervention in the money markets yesterday. Certainly, both equities with the FT index dropping 7.2 points to 540.8 and gilts, with falls of up to a point at the long end, were taking nothing on chance.

With long-term interest rates responding early to worries that the fall in inflation had come to a halt, the authorities moved quickly to bring short rates into line. As they have done recently before under the new system of controls, the discount houses made their bill offerings on a repurchase basis when they found themselves short of money only to find the Bank rejecting their first two offers. On the third try, the Bank made funds available at a rate over Minimum Lending Rate, certainly a penal rate but one which the discount market had lived with before. The upshot was a rise in short rates with three month eligible bills up almost a point at over 131 per cent, suggesting that MLR ought to be a point higher at 13 per cent.

Short rates have been higher under the 12 per cent MLR, but the problem under the new system of controls is that the market finds it extremely difficult to gauge the sort of interest rate level the authorities are aiming at. Furthermore, clearing bank base rates could come under pressure if short rates stay at these levels as "round-tripping" becomes worthwhile.

### Chloride/AM & S

#### Dawn raid with a difference

Mining companies seem to be more preyed on than predators these days. But Australian Mining & Smelting's purchase from £6m of almost 15 per cent of Chloride shows that mining companies are not the only ones interested in vertical integration. The industrial logic is straightforward. Chloride is one of the world's biggest battery makers and AM & S is one of the world's biggest lead producers. Ironically, however, AM & S, wholly owned by Rio Tinto-Zinc's Australian subsidiary CRA, is a major supplier to Chloride in Australia, but not in Britain.

Beyond that, AM & S wants to keep a close eye on developments in battery technology, since Chloride is now devoting a lot of time and money to new batteries, many of which will not use lead. Since batteries are the leading consumer of lead, now that it is being phased out of petrol, AM & S clearly has a strong interest in how the industry develops.

The financial side of the deal is coloured by the industrial. AM & S saw its chance after Chloride's recent £13.5m loss and the £17.3m rights issue had depressed the shares. But the average price of 32p paid for the 18.9m shares was rather better than Friday's price and helped push Chloride up 3p to 30p yesterday. AM & S says the stake is an investment, as well as an industrial safeguard.

But it will be some time before AM & S sees a return on its money, and the possibility of another rights issue in a few years by a cash-hungry company such as Chloride cannot be dismissed. AM & S may be glad that under the new takeover rules it cannot buy more than 15 per cent without making a tender offer. It cannot have missed Inco's expensive experience in the battery business.

### Mercury Securities

#### Problems outside banking

A 6 per cent increase in net profits to £12.3m for Mercury Securities does scant justice to the performance last year of its merchant banking arm, which lifted its profits 30 per cent to £12.9m. But while Warburg's corporate finance department was flourishing at the centre of a string of takeovers and rights issues, Mercury's other divisions were foundering. The Stewart Wrightson stake's contribution turned down from £1.3m to £901,000, but more significantly the ever-volatile retail trading arm Brandeis Goldschmidt plunged from £2.9m to a net profit of £1.2m after a small pretax loss. Meanwhile, Brandeis' erratic history has

got nothing on its more recent trading performance judging by the welter of extraordinary deficits that Mercury has taken on board following the sale of this division to Pechiney of France at the end of May. A provision of £5m covers trading losses net of disposal proceeds—thought to be just above the £25m net asset value allowing for capital gains tax of about £5m—since the December year-end of the United States subsidiary and March year-end of the United Kingdom part.

Although there is some interplay between net worth and trading figures in the subjective world of metal dealing, Brandeis has clearly been having a terrible time covering positions in its specialist corner as prices of rare metals like cobalt and molybdenum have come under pressure. At the same time a £5.3m deficit covers a so far unfortunate expansion into metal recovery from oil catalysts in the United States and reflects Mercury's moves to clean the slate in preparation for a sale or closure. A sudden write-back mainly at Brandeis of £12.8m more than covers these items but the outflows do serve to show what Mercury could gain at least in terms of stability as a result of the sale.

The shares fell back 5p to 288p last night, after a strong rise of late, where a yield of 3.5 per cent—after a 7.7 per cent increase—represents a slight premium over others in the sector. It is a premium that should be justified given Warburg's potential, although the swing from famine to feast in the cyclical international issues business was a factor in last year's upturn. On the banking side, lending and acceptance credit business both surged ahead although of course margins here have remained under pressure.

Associated Leisure with nearly a fifth of the amusement machine market has not lost its knack of disappointing those who play its shares. In 1979-80, pretax profits grew by only 9 per cent to £5.3m, but that was because brewers, smarting from double VAT, negotiated unexpectedly tough rents. In the next months to last September, a video machine boom meant big increases in depreciation and interest, bringing profits almost to a standstill for the full year to mid-March. Pretax profits fell from £5.3m to £4.6m, borne down by a policy of writing-off video games over 18 months and by recession effectively freezing amusement machine rentals. The day was saved by capital allowances on heavy investment, so that tax was only 18.5 per cent of available profits.

The end of the video boom leaves the group with "barely satisfactory" profits and depreciation is no longer racing ahead; although the group, having borne the cost of changing over its one-arm bandits to new payouts and stakes, will reap the benefit this year. The hope now is that pretax profits will bounce back to £6m but as tax will also rise sharply, earnings may not go ahead as fast. The shares rose 4p to 120p yesterday.

### Mercantile House

#### Funding the big push

Mercantile House has won a strong following with its blend of international financial services since it came to the market at 160p two years ago and although the shares eased 20p to 838p yesterday, the £9.6m cash-call—the second rights issue within a year—looks assured of a warm reception. The largest money broker in the world, Mercantile, has enjoyed another active year in the foreign exchange markets and supplemented by the steady stream of acquisitions, pretax profits more than doubled to £7.1m in the year to April 30.

More relevant for shareholders, who are being asked to dig into their pockets again, earnings per share still rose by over four-fifths to 51p, allowing a 40 per cent increase in the total dividend to 25p gross. So having last subscribed for new equity at 220p, shareholders are likely to be eager to take up their rights again in this latest issue which is equivalent to one-for-five at 690p on the existing capital, although a one-for-one scrip issue is also planned.

There are high hopes for the financial futures market in London, which its chairman has done so much to encourage, although the success of this venture which starts next year remains to be seen. But, meantime, Mercantile could be on course for £12m this year, to give a p/e ratio of under 12, while the ex-rights yield is 3.1 per cent.

### How Mr Jefferson shook Wall Street

New York Edward Jefferson, a quiet 60-year-old British chemist with a doctorate from Kings College, London, yesterday launched the biggest corporate takeover bid that America, and probably the world, has ever seen.

In the latest round of a battle of corporate Titans which has had Wall Street on the edge of its seat for the past three weeks Du Pont, America's largest chemical company, which Jefferson now heads, has agreed to pay \$7,300m in cash and shares to acquire Conoco, America's ninth largest oil company, from the clutches of Seagram, the world's largest liquor company.

Given that Conoco sought the bid at a price of \$87.50 a share is considered generous and, with rival suitor Seagram unlikely to try to match the offer (having in April refused to enter a bidding contest for another minerals company, St Joe), the deal is likely to go through.

Seagram, meanwhile, with \$3,000m in cash to spend will have to start hunting for a minerals company all over again. That, coupled with the price Du Pont is paying, could help bring depressed oil stocks back into favour.

Jefferson took over as chairman of Du Pont only earlier this year from the flamboyant Irving Shapiro, a corporate lawyer and vociferous supporter of President Carter. The change was significant, Shapiro's role in the 1970s had been to repair a Du Pont image tarnished by attacks from environmentalists. That mission accomplished, Jefferson was seen as the man to get the company moving again.

But even his friends have been surprised at the boldness of the Conoco move and by its speed. To the despair of Wall

Street, Du Pont has been searching for two-and-a-half years for a drug company to bolster its pharmaceutical operation, but nothing has happened.

Yet the Conoco talks began only on June 25 and have been brought to fruition in 10 days. The attraction of Conoco is its oil, gas and coal reserves, which together should guarantee that Du Pont always has the raw materials it needs to keep its huge synthetic fibre and plastic complexes running at a price it can afford.

In the short term this naturally means capitalizing on Conoco's oil reserves, which include the Murchison field in the North Sea. But Jefferson plainly has high hopes that a joint venture in gas exploration begun earlier this year will yield significant benefits.

In the longer-term Du Pont, like Seagram before it, sees the potential in Conoco's coal



Du Pont's Edward Jefferson launched America's biggest takeover.

Du Pont and Conoco are to merge



#### HOW THEY PERFORMED IN 1980

	Principal activities	Sales	Net Income
Conoco	Oil and gas exploration production	\$18,488m	\$1,026m
Du Pont	Chemicals, plastics, fibres	\$13,652m	\$716m

reserves, which are the second largest of any company in the United States. These will partly provide a source of revenue, as coal becomes an increasingly important and widely used fuel, and partly they will have a strategic value which may enable the company to barter them for increasingly scarce oil supplies.

But also, to judge from Jefferson's statement accompanying news of the bid, it is hoped that Du Pont's scientists, who already have an enviable record in research and development, will devise ways to use the coal either as feedstock for the chemical plants or for conversion into other synthetic fuels. The company plainly hopes to become a world leader in what it terms "coal conversion technologies".

Also singled out for special mention by Jefferson were the prospects for "improved tertiary recovery" in oil fields. This statement, though vague, suggests that Du Pont has made some progress in learning how to exploit oil fields more efficiently, either in getting out more of the oil that is there or in extending production to more viscous (or even solid, like

shale) to be pumped out by conventional methods.

The Conoco chairman, Ralph Bailey, seems excited by this, too. Thanks to Du Pont's research and engineering skills, Conoco will be able to make much better use of its natural resources in the longer term, he says.

In spite of their initial surprise most Wall Street analysts approve of the deal and think Du Pont needed to do something dramatic to break out of its rut. Though the company created one industry (synthetic fibres) and revolutionized two others (gunpowder and plastics), it stagnated throughout the seventies. A dazzling array of household brand names, led by Orlon and Dacron, brought the company to a degree of complacency which was rudely shaken when the oil price increases of 1973 onwards sent the price of fibres spiralling and brought an abrupt collapse in the market.

But the lesson learned then makes it want Conoco now. Raw materials still account for roughly three quarters of the cost of synthetic fibres, which in 1973 accounted for about 40 per cent of Du Pont's sales and profits. But so severe

was the slump that two years later they accounted for only 2 per cent of profits.

That experience rocked the company and it is only in the last few years that it has regrouped and begun to diversify, so that it now has interests in pharmaceuticals, electronics and biotechnology.

But, however well these divisions do, the company is still dominated by its traditional activity in bulk chemicals and fibres and plastics, which together account for \$12,000m of last year's \$14,000m turnover. This merger secures Du Pont's lines of supply and so it looks strategically much better equipped to cope with the 1980s and 1990s. The core of its business, though it will never grow again as it did in the two decades after the war, will at least be stable or as stable as management can make it.

For Conoco, life as an independent subsidiary of Du Pont is likely to prove much less turbulent than it would have been had Seagram won control. Some 70 per cent of its business is in petroleum, 20 per cent in coal and 10 per cent in chemicals. This last category should fit snugly into Du Pont, while Conoco will be left alone to run 90 per cent of its activities as before—but with the help of a greater pool of scientific expertise and more stable marketing arrangements.

Though their businesses are different, both chairmen share a common optimism about the future of their companies and the growth of the United States economy and, though they did not say so, they also have the belief that oil and coal are far too valuable simply to be burnt—so valuable in fact that Du Pont was prepared to pay \$7,300m to stake its claim.

Anthony Hilton

## A nasty jolt for Chancellor Schmidt

Germany's 'Five Wise Men' are urging huge spending curbs. Peter Norman reports

West Germany's Chancellor, Helmut Schmidt, must be bitterly regretting his government's failure to tackle the problem of Germany's growing public sector deficit in the wake of last autumn's impressive election victory.

For yesterday the Bonn government's Council of Economic Advisers produced a report urging spending cuts on a scale that goes far beyond anything previously debated in the political arena.

While the Bonn finance ministry has been talking of having to cut spending next year by between DM15,000m (about £3,260m) and DM20,000m (about £4,350m), the council, which is appointed by the government but is strictly independent in its views, wants a far-reaching reform of state finances, eliminating what it diagnoses as a structural deficit (that is, resulting from bad planning over the years rather than economic decline) of DM35,000m to DM40,000m by 1985.

The fact that yesterday's report was produced on the initiative of the "Five Wise Men"—a de facto group of the Bonn government. The Council is required by law to produce one report a year and can be requested to provide further reports by the government. But for the Five to produce a report on their own volition is rare indeed and will be taken by many in West Germany as a sign that the economy is in deep crisis.

Few deny that Germany has problems with its economy. The deficits run up by the federal, state and local authorities have grown rapidly since the oil crisis of 1973 and have defied the rather pusillanimous attempts of successive governments to bring them under control.

The current account balance of payments deficit is the highest in the western world and is likely this year to exceed last year's deficit of DM2,000m. But, in another report out

yesterday, the Organisation for Economic Cooperation and Development (OECD) argues that the German economy is fundamentally sound. Both inflation and unemployment are low by international standards. The OECD predicts an inflation rate of about 5.5 per cent this year, while the Five Wise Men expect average unemployment to rise to only 1.2 million.

So what is wrong with the economy? Inside West Germany attention is focused chiefly on the state of the public finances. It is a concern that is fuelled in part by immediate political considerations—Herr Hans Matthöfer, the finance minister, is drawing up his plans through-out July for the 1982 federal budget—and deeper folk memories of Weimar.

Even before the publication of the Five Wise Men's report, it was clear that the 1982 budget would be a big test for the government. The recession has accentuated Bonn's steadily growing spending commitments and the economic slowdown has readily translated these into a still faster growing borrowing requirement.

According to the economic advisers, Germany's overall net public sector borrowing requirement will reach DM30,000m next year, unless action is taken to control it.

Herr Matthöfer is reported to be aiming for a 1982 limit on federal spending of DM24,000m, representing a rise of only 4 per cent in nominal terms compared with this year's spending level. His aim is to keep the federal government's net borrowing requirement down to DM25,000m next year and ensure that the

overall net credit uptake of the Bonn government, the federal states and the municipalities does not exceed the DM52,700m level recorded in 1980.

Comforting though these figures might seem at first sight, they are not being well received in West Germany. They presuppose spending cuts of between DM15,000m and DM20,000m, that are bound to be painful for individual interest groups and anticipate a transfer to the federal budget of DM5,500m to DM6,000m of profit from the Bundesbank.

Those German citizens with longer memories are even more concerned at the long-term trend in the public sector. Figures in 1973, Germany's overall public indebtedness amounted to only DM167,800m, or 18.2 per cent of gross national product. By the end of last year this figure had risen to DM464,100m, or 31.3 per cent of gross national product. Outside West Germany most

attention has been focused on the country's huge current account balance of payments deficit. The consequent fall in the value of the mark and the Bundesbank's need to raise interest rates to control as far as possible the flight of funds into the dollar have imposed a severe external constraint on economic and monetary policy.

The Five Wise Men take a sceptical view of recent signs of an export recovery. May's visible trade surplus of DM1,570m was disappointing compared with April's DM3,300m total. Furthermore, the Council of Economic Advisers gives warning that the international order of trade was also sluggish in May and that further growth in foreign demand is likely to be hesitant.

Here the economists in Bonn are more cautious than those at the OECD, who expect a marked improvement in the current external balance in the next 18 months and believe that

downward pressure on the mark will cease. The whole tenor of the advisers' report is that Germany's economic recovery must come from inside the country. It presupposes moderation in wage settlements and decisive government action to cut deficits, which will ease the pressure on interest rate and so induce increased investment.

Whereas the OECD report puts much hope on a removal of external constraints through an eventual recovery of the mark, the Five Wise Men tell the government that there are no rabbits. Germany's social security system will have to be trimmed, the federal government must pay out less for the unemployed, the major areas of subsidy—such as agriculture, savings incentives, housing and railways—could be trimmed to save the state thousands of millions of marks.

For Chancellor Schmidt the Five Wise Men's report will be uncomfortable reading. Perhaps in Ottawa in two weeks time President Ronald Reagan will be able to give him some tips on how he got his package of budget cuts through Congress.

## Business Diary: Philately will get you everywhere

Anyone still labouring under the charming notion that stamp collecting is no more than a small boy's hobby should take a close look at what is happening in connexion with the royal nuptials.

Diehard philatelists who want to put together a collection of every stamp, souvenir sheet and local label issued to mark the event will find themselves paying out at least £1,000.

What is more, some of the commemorative issues are coming from the most unlikely sources. Who, for instance, would have thought that North Korea, that most communist of republics, had decided upon a special selection of stamps to mark the wedding? Nevertheless, the North Korean Royal Wedding commemorative are on their way, alongside counterparts from at least 20 other foreign countries outside the Commonwealth, according to Stamp and Postal History News, the official journal of the British Philatelic Federation.

Money, rather than affection for the Royal Family, is behind the flourishing number of wedding specials, Guy Averil, the magazine's editor, reckons. The prettier the stamps and the more august the occasion, the more they are likely to fetch from bright-eyed philatelists.

But will these bizarre specialities be worth anything? Surprisingly enough, the answer is yes, at least for some people. The magazine estimates that one British dealer has already made something of a killing. He persuaded the Government of Guyana to overprint 35,000 ordinary 1971 stamps with the words "Royal Wedding 1981"

and then bought 50,000 for about £100,000. The dealer has since sold his stamps to wholesalers, presumably at a high premium, and they are now retailing at between £14 and £16 a pair, or £36 for gutter pairs.

### Martell bouquet

Now it can be revealed: one of Valéry Giscard d'Estaing's last acts before burning the contents of his presidential filing cabinet was to nominate Reno Martell, president of the brandy house, which bears his name, for that superlative award, the Legion d'Honneur.

Martell, though a friendly soul, is probably too much of a capitalist to be elevated by the French government, so he appears to have passed the post just in time.

His award is in recognition of Martell's contribution to exports. The company sold two million cases during the financial year which ended on June 30—an all-time record.

Some 95 per cent of the company's turnover is in exports, with the United Kingdom the top market, followed by Hong Kong and America. France comes fourth.

### Invaders defeated

The video boom has gone the way of all fads. Associated Leisure, the leader in amusement machines, was at pains yesterday to explain why group profits have (again) not hit the jackpot. In the year to mid-March they fell from £5.3m to £4.6m.

AL thought that the "Space Invaders" boom would last 18 months and, prudent accountants that they are, wrote off 75 per cent of their video machines in the first year. In fact, the boom went on for 15 months and they heyday lasted almost exactly 12 months.

A tinkling cascade has turned to a trickle. The average weekly take of a machine has fallen to £37 from £50. Both supply and demand were to blame. Space invading does not count as gambling and every small-time operator offered video machines to publicans on the basis that they could not lose.

They, and their landlords, the big brewers went along. Now customers know how to play these machines, unemployment makes them count their 10p coins, and one-arm bandits now offer a better deal than before. No successor to video games is in sight—except, says Associated Leisure, eagerly, video fruit machines.

### No, Minister...

Jane Eley does not look the sort of person to go around beating politicians on the pate, at least not to these eyes.

But I have it all on record from Gerald French, director of the British Clothing Industries Association. We'll miss her, he said, sadly on learning of Eley's impending departure.

"She's marvellous at hitting ministers over the head." The 29-year-old Eley has been one of the British textile and clothing industry's most forceful



Jane Eley.

supporters as the association's international and government relations secretary.

One trusts that French was describing her methods of governmental liaison only metaphorically, though the British clothing industry needs all the help it can get at the moment in its negotiations on a new Multi-Fibre Arrangement.

She is leaving in the hope of getting a job in Spain that will give her both another string to her Hibernian bow and also provide some commercial experience.

### Name games

Job titles in some industries can be misleading and a London company has now decided to change some of its own to bring them up to date and to make them more easily recognizable.

Karlar Munde, chairman (soon to be president) of London Tea and Produce Company, explained: "Dennis O'Connor, for example, is our national accounts manager, but has, of course, nothing to do with the accounts department. He is a senior sales executive and his new title will be vice-president, sales."

"This is more in keeping with the job he does and as we do a lot of business with the Americans it gives them a better image of his status."

Two more vice-presidents, sales, will be Steven Boyes, now director of sales development, and Barry Proctor, marketing manager.

Munde said: "In the old days the titles were acceptable but now could deny a top man entrance to his possible new clients."

I know that dog should never eat dog, but there does come a time when one cannot resist a nibble. Last Friday, a certain pink financial journal made great play of how one of its own reports led to the sale by BL of its Alois subsidiary to United Scientific Holdings. Imagine the surprise of a reporter from another paper who asked USH managing director Peter Levene if it was true, only to be shown the newspaper cutting which really set his heart on Alois. Unfortunately, it was on white paper and the name on the top was none other than our own Edward Townsend's.

David Hewson

## Electronic Rentals Group

"There is a bright future ahead for our rental companies both at home and overseas"

Maurice A Fry, Chairman

★ Group turnover at £182m shows an increase of 5% over the previous year. The UK rental activity, comprising Visionhire and British Relay Electronics, contributed a 6% increase and the overseas rental companies a 32% increase.

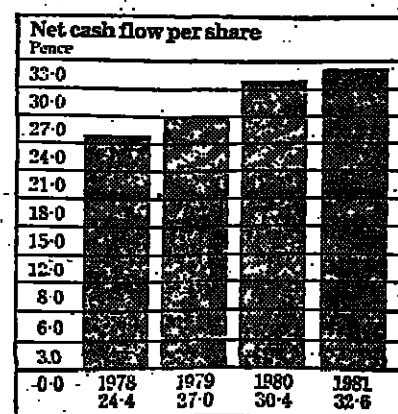
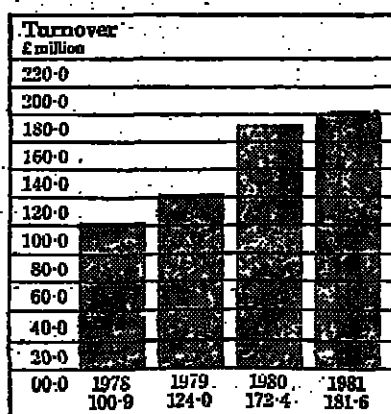
★ Although high interest rates prevailed throughout the year, interest costs have been contained and at £13.1m were only £0.4m higher than last year due to more effective use of working capital and the careful monitoring of capital expenditure.

★ Group profits before taxation showed an increase of 21% from £12.2m to £14.7m.

★ The treatment meted out to rental companies, which is a by-product of understandable legislation to close taxation loopholes involving leasing, is harsh and inequitable. Unless a more rational approach to taxation allowances for rental companies is adopted there could be far reaching effects for the British television manufacturing industry.

★ There was a significant decrease of £14.4m in borrowing and this was after drawing in additional borrowings of £6.8m as a result of acquiring new subsidiaries.

★ In the medium and long term I have confidence that with all the new developments associated with the television set, such as Pay-TV, direct satellite broadcasting, video cassette recorders, video disc players, Teletext and Videotex, there is a bright future ahead for our rental companies both at home and overseas.



Copies of the Annual Report are obtainable from The Secretary, Electronic Rentals Group Limited, Electronic House, Churchfields Road, Weybridge, Surrey KT13 8DB.



## Chancery Division

## Law Report

## Employee's mileage allowance is taxable

**Persons v Spackman** (Inspector of Taxes)

Before Mr Justice Vinelott  
[Judgment delivered July 6]

A mileage allowance of 11.4p paid by a company to one of its employees in respect of the use of his private motor car on official business, is an "emolument" of his employment within the scope of section 183 (1) of the Income and Corporation Taxes Act, 1970, and is chargeable to income tax.

Furthermore, even though such an officer is required to use his own car on council duties, section 189 (1) of the Act does not entitle him to deduct the whole of the expense he incurs in putting it on the road and maintaining it. Only the cost of petrol used on business journeys and an apportioned part of the cost of servicing and repairs are allowable deductions. The Crown conceded that an apportioned part of the cost of licensing and insurance is also allowed.

His Lordship so held in dismissing an appeal by the taxpayer, Mr Charles Albert Persons, from a determination of special commissioners that the sum of £369 paid to him as car allowance should be included in his emoluments. They allowed a deduction of £115 as being the cost of using his car on official journeys.

The case was brought as a test case by the National and Government Officers' Association. The taxpayer was a rent officer employed by Nottingham County Council.

Council. In the course of his work he used his car to visit properties for which a fair rent had to be fixed. He received an "essential user allowance" of 11.4p per mile and a lump sum payment each year, calculated by reference to his car's engine capacity.

For 1976-77 he was assessed to income tax under Schedule E in the sum of £5,950. He appealed against the assessment seeking to deduct both the lump sum of £220 and the mileage allowance of £149.

Section 183 (1) provides that tax under Schedule E shall be chargeable "on the full amount of the emoluments falling under that Case, subject to such deductions only as may be authorized by the Tax Acts, and the expression 'emoluments' shall include all salaries, fees, wages, perquisites and profits whatsoever".

Section 189 (1) provides: "If the holder of an office or employment is necessarily obliged to incur and defray out of the emoluments payable to him the cost of travelling in the performance of the duties of the office or employment, or of keeping and maintaining a horse to enable him to perform the same, or otherwise to expend money wholly, exclusively and necessarily in the performance of the said duties, there may be deducted from the emoluments to be assessed the expenses so necessarily incurred and defrayed".

Mr Michael Musgrave for the taxpayer, Mr Robert Carnwath for the Crown.

MR JUSTICE VINELOTT said that the taxpayer accepted that the £220 lump sum was an emolument but not the 11.4p mileage allowance. He founded his

argument on the House of Lords decision in *Pook v Owen* (1970) AC 244 allowing a doctor's claim for travelling expenses between home and hospital when on call for emergency cases.

But the decision there that the car allowance was not an "emolument" was based on the assumption that the allowance was no more than the reimbursement of the cost incurred by the doctor in travelling from his home to the hospital.

The mileage allowance paid here was not reimbursement of expenses actually incurred: it included a significant contribution to the overhead cost to the taxpayer of putting his car on the road and maintaining it for his own private use as well as for use on official journeys.

The special commissioners' determination on the mileage allowance was correct. It was therefore necessary to consider the taxpayer's case that the whole cost of running his car was a permissible deduction from his emoluments under section 189. He contended that he was necessarily obliged to incur the whole expense involved in putting his car on the road and maintaining it because his employer considered it essential that he should have his own car available for official use.

The commissioners had rejected that argument, pointing out that although he received an "essential user allowance" indicating that his employer considered it essential for the efficient conduct of business that he should use his car, it was not a condition of his employment that he should provide his own car for official use.

Even if the taxpayer could show that he was contractually obliged to use his own car, it would be impossible to say that the whole cost of running it would be one he would have been necessarily obliged to incur as part of the expenses incurred in performing his duties.

The ownership of a car made officers in the taxpayer's position more useful to the council and that doubtless was why it was prepared to pay allowances on a scale, which covered part of an officer's overheads and so reduced the cost to him of keeping a car. It did not make the whole expense an expense incurred in the performance of his duties.

It was accepted by the Crown that the cost of servicing and repairs were apportionable. It was not obvious that the cost of licensing and insurance - which the taxpayer would have incurred in any event since he used his car upon his judgment under Order 14 of the Rules of the Supreme Court in favour of the plaintiffs for US \$75,794 or the sterling equivalent at the time of payment with interest from December 25,

Solicitors: Miss Penelope Grant; Solicitor of Inland Revenue.

**Power Carbur International Ltd v The National Bank of Kuwait SAK**

Before Lord Denning, Master of the Rolls, Lord Justice Griffiths and Mr Justice Waterhouse  
[Judgments delivered July 3]

The proper law of an irrevocable letter of credit issued by the Bank of Kuwait payable against documents in North Carolina, the bank was held by the Court of Appeal to be bound to pay in accordance with its obligations notwithstanding that a court in Kuwait had made an order of provisional attachment, preventing further payment under the letter of credit.

The Court of Appeal in reserved judgments allowed an appeal by plaintiffs, Power Carbur International Ltd, of North Carolina, against Mr Justice Parker's imposition on March 27 of a stay upon his judgment under Order 14 of the Rules of the Supreme Court in favour of the plaintiffs for US \$75,794 or the sterling equivalent at the time of payment with interest from December 25,

1980 at the minimum lending rate of the Bank of England plus 1 per cent against the defendants, the National Bank of Kuwait SAK.

A cross-appeal by the bank against the judgment against them was dismissed.

Leave to appeal to the House of Lords was refused.

Mr Peter Crosswell for the plaintiffs; Mr Andrew Longmore for the bank.

The MASTER OF THE ROLLS said that the case was important for international trade. The plaintiffs exported goods from the United States to be paid for by a letter of credit issued by the National Bank of Kuwait.

The bank wished to honour the obligations. But the courts in Kuwait had forbidden the bank to pay.

The letter of credit advised their "irrevocable credit through North Carolina National Bank in Charlotte, North Carolina" in favour of the plaintiffs.

It had long been established that when a letter of credit was issued and confirmed by a bank, the bank must pay if the

documents were in order and the terms of the credit satisfied. Disputes between buyers and sellers must be settled between themselves: see *Edward Owen Engineering Ltd v Barclays Bank International Ltd* (1978) QB 159, 163.

In the present case the Kuwaiti buyers filed a claim in the Kuwaiti courts against the sellers and had obtained an order for "provisional attachment" of the sums payable under the letter of credit.

The order prevented the bank from making any further payment under the letter of credit or outside Kuwait.

The proper law of the contract, the law with which the contract had its closest and most real connection was the law of North Carolina where payment was to be made against presentation of documents. *Offshore International SA v Banco Central SA* (1977) 1 WLR 399 was rightly decided.

A debt under a letter of credit was payable at the place where it was payable against documents.

A letter of credit was like a bill of exchange given for the price of goods. It ranked as cash and must be honoured.

If the courts of any country interfered with the obligations of one of its banks it would strike at the heart of that country's international trade.

It was part of the law of international trade that letters of credit should be honoured and not nullified by an attachment order at the suit of the buyer.

The courts of England were not bound by the county of nations to recognize the "provisional attachment" issued by the courts of Kuwait. A stay of execution should not be granted.

The judgment in the action which the plaintiffs had brought in England, where they had a legitimate juridical advantage, their operations against the branch of the bank in London so as to require it to pay the sums due under the letter of credit.

The cross-appeal should be dismissed and the appeal allowed. Lord Justice Griffiths and Mr Justice Waterhouse, who had reservations on the *lex situs*, agreed.

Solicitors: Jacques & Co; Allen & Overy.

## Peril of property orders becoming apparent

**Carson v Carson**

Before Lord Justice Ormrod, Lord Justice O'Connor and Mr Justice Sheldon  
[Judgments delivered June 25]

The Court of Appeal held that a wife for whose benefit a settlement of property was made in the form of *Mesher v Mesher* (The Times, February 13, 1973) had been made under section 24(1)(a) of the Matrimonial Causes Act, 1973, was not entitled, six years later, to an order transferring the entire property to her under section 24(1)(a), or to leave to appeal out of time from the settlement order.

The court refused leave to Mrs Carson to appeal out of time from the order of Mr Justice Payne in May 1975 that, inter alia, Mr David Carson convey the matrimonial home to trustees on trust for sale, the proceeds to be held for the husband and wife in equal shares and the sale to be postponed until the death or remarriage of the wife or until each of the two children attained the age of 18 or completed full-time education whichever was earlier. The court also dismissed the wife's appeal from the decision of Mr Justice Ewbank in February 1981 that she had no power to make a transfer of property order in her favour.

Mr J C J Tatham for the wife; Mr Michael Irvine for the husband.

LORD JUSTICE ORMROD said that Mr Justice Payne made an order under which the husband for periodical payments, as well as the settlement of property order. It was agreed that the wife should say in the matrimonial home with the children and that the husband should leave.

The wife's position was difficult. She was unemployed, the husband was drinking, and she wanted security in the future.

hence the application to Mr Justice Ewbank for a transfer of the complete interest in the matrimonial home to her in return for her forgoing periodical payments.

Mr Justice Ewbank remitted one of the years and ordered that the remainder not be enforced until the house was sold. He held that he had no power to transfer the house to the wife.

Mr Tatham argued that the fact that there had been a settlement order under section 24(1)(b) of the 1973 Act did not preclude a later application for a transfer under section 24(1)(a). But in reality it was an attempt to get a second settlement of the same asset.

Section 31 of the Act, which gave no power to courts, in divorce proceedings, to vary property settlement orders. The judge was right.

Mr Tatham therefore fell back on the application for leave to appeal out of time from Mr Justice Payne.

It was only in exceptional cases that appeals should be permitted long out of time, since by then everyone would have acted on the assumption that the original decision was right.

His Lordship had great sympathy with the wife, who had suffered and would suffer. The case was a good example of the chickens unleashed by the *Mesher* orders that were so fashionable in the mid-1970s, coming home to roost. It was not for some time that the dangers of that type of order came to be apparent. In eight or nine years' time the wife would be obliged to sell the matrimonial home, and with only half the proceeds of sale she would be in a most unfavourable position to rehouse herself.

Lord Justice O'Connor and Mr Justice Sheldon delivered concurring judgments.

Solicitors: Whitlock & Son; Malkin, Cullis & Sumption.

## No basis for Mareva injunction when assets outside jurisdiction

**Intraco Ltd v Notis Shipping Corporation of Liberia**

Before Lord Justice Donaldson and Lord Justice Ackner  
[Judgment delivered June 19]

A Mareva injunction imposed on money payable under a guarantee of an English bank was discharged by the Court of Appeal because the guarantee provided for payment, not inside, but outside the jurisdiction.

Their Lordships dismissed an appeal by Intraco Ltd, a Cypriot company, and allowed a cross-appeal by Notis Shipping Corporation of Liberia, from an order of Mr Justice Staughton restraining Notis Shipping from removing not more than \$50,000 from the jurisdiction, pending the determination of arbitration proceedings against them brought by Intraco.

Mr Richard Aikens for Intraco; Mr David Donaldson for Notis Shipping.

LORD JUSTICE DONALDSON, delivering the judgment of the court, said that the dispute concerned the sale of a ship, "Notis", now renamed "Rhoja Trader", to Intraco.

The agreed price was US \$810,000. A deposit of \$41,000 was paid, \$369,000 was paid on delivery and the balance (\$400,000) was payable within 30 days of delivery by means of a bank guarantee given by the London branch of Banque de l'Indochine et de la Suez.

Shortly after delivery, the vessel was arrested in Calcutta and Intraco had to provide security amounting to \$200,000 to obtain her release.

It took a little time to provide the security, and Intraco claimed that that led to their suffering large losses through cancellations of cargo bookings. Arbitration proceedings had been begun in

London by Intraco against Notis Shipping, alleging breach of the sales contract and claiming damages.

Notis Shipping had no assets in England other than their rights under the bank guarantee. Accordingly, Intraco applied ex parte to Mr Justice Robert Goff for an injunction restraining the sellers from calling upon the bank to make payment. The injunction was granted in order to hold the position.

The inter partes proceedings were heard by Mr Justice Staughton, against whose decision Intraco appealed and Notis Shipping cross-appealed.

The judge refused to continue the injunction restraining the bank from calling upon the bank to make payment under the guarantee, but granted a Mareva injunction restraining the sellers "until further order from removing from the jurisdiction or from the disposal of any of their assets and in particular monies payable under [the bank] guarantee... save in so far as the same exceeded the sum of US\$50,000".

In refusing to interfere with the sellers' right to call upon the bank to make payment under its guarantee, the judge acted in accordance with the well established principle that the court would not grant such an injunction unless there was a fraud.

*Richardson v Sack* (1978) 1 Lloyd's Rep 161.

Irrevocable letters of credit and bank guarantees were the equivalent had been said to be the life blood of commerce. Unless fraud was involved, thrombosis of the mercantile practice of treating rights thereunder as being the equivalent of cash.

The judge said that that did not prevent the court in an appropriate case, from imposing a Mareva

injunction upon the fruits of the letter of credit or guarantee.

It was the natural corollary of the proposition that a letter of credit or bank guarantee was to be treated as cash that, when the bank and cash was received by the beneficiary, the cash should be subject to the same restraints as any other cash assets.

Enjoining the beneficiary from removing the cash asset from the jurisdiction was not the same as taking action which would prevent him from obtaining the cash; see *Montecchi v Shimco (UK) Ltd* (1979) 1 WLR 1180.

But the guarantee did not provide for payment in London, their Lordships would have agreed with the judge's decision. But the guarantee did not provide for payment in London.

The guarantee was a contract under which it was both the right and the obligation of the bank to pay the sellers at the offices of Citibank in Piraeus, Greece. That was not to be dismissed as a technicality.

Both from the point of view of the payer and that of the payee, payment in one country could be a very different matter from payment in another, where, for example, exchange controls were in operation. If the guarantee was to be, as it must be, treated as cash in Greece, it must be treated as cash in Greece.

Mr Aikens submitted that the asset was a chose in action whose situs, under English rules of the conflict of laws, was in London. Their Lordships agreed, but to give effect to that argument would involve interfering with the rights and obligations of the bank vis-à-vis the beneficiary of its guarantee and that, as it had been shown, was contrary to principle.

Solicitors: Ince & Co; Holman Fenwick & Williams.

## Time of disposal under a contract for capital gains tax

**Johnson v Edwards** (Inspector of Taxes)

Before Mr Justice Vinelott  
[Judgment delivered July 1]

A binding contract made in 1965, prior to the introduction of capital gains tax, providing for the disposal of shares in 1971, attracts liability to the tax because the disposal date is to be the date of the actual transfer and not the date of the contract. Paragraph 10 of Schedule 10 to the Finance Act, 1971, cannot apply so as to antedate an actual disposal in 1971 to the date of a contract entered into before the Act came into effect.

His Lordship so held in dismissing an appeal by the taxpayer, Mr Enoch Cropper Johnson, from a determination of special commissioners confirming an assessment to capital gains tax made on him for 1971-72 in the sum of £27,372.

Paragraph 10 of Schedule 10 provides: "... where an asset is disposed of and acquired under a contract the time at which the disposal and acquisition is made is the time the contract is made (and not, if different, the time at which the asset is conveyed or transferred)".

Mr G. R. Bretten, QC, for the

taxpayer; Mr John Mummery for the Crown.

MR JUSTICE VINELOTT said that under a binding contract entered into on February 25, 1965 the taxpayer agreed to dispose of 1,399 shares in a company that he and his wife owned. The actual disposal did not occur until some time between April 22 and 29, 1971.

He appealed against an assessment to tax in respect of the gain accruing on that disposal, contending that the effect of paragraph 10 was to treat the actual disposal as having taken place on the date of the contract before the introduction of the tax.

Capital gains tax was introduced in 1965 and between 1965 and 1971 it had been an open question whether a contract for the sale of ascertained property at some future date was itself a disposal of that property. Paragraph 10 was intended to resolve that issue.

The commissioners had rejected the taxpayer's argument on the ground that it would have the effect of making both paragraph 10 and also section 56 of the 1971 Act have a retrospective effect that was not intended by the legislature.

Before the court Mr Bretten argued that the commissioners were wrong, said that on the construction for which he contended no charge to tax would arise on any disposal before April 6, 1971: paragraph 10 merely operated, he said, to antedate a disposal to the time when the contract was entered into and if that contract was entered into before April 6, 1971, it antedated the disposal to that date.

That argument was unacceptable. Paragraph 10 could be construed fairly in a way which did not have retrospective consequences. It applied "where an asset is disposed of and acquired under a contract".

There was no difficulty in reading those words as applying to a disposal made after April 5, 1971 under a contract entered into before that date but not to a disposal made after April 5, 1971 under a contract entered into before that date.

The appeal was dismissed with costs.

Solicitors: Bower, Cotton & Bower; Solicitor of Inland Revenue.

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